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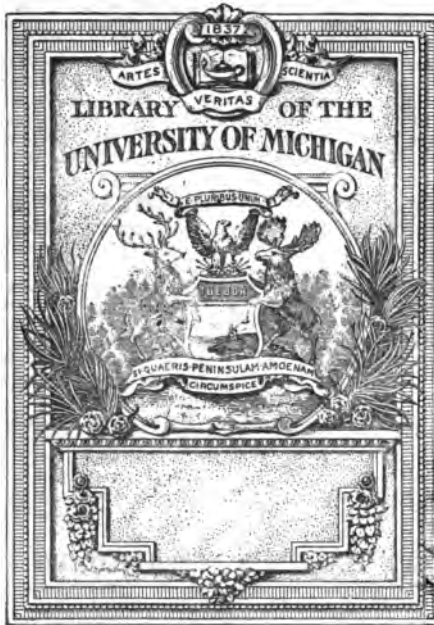
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THE STUDENT'S GUIDE TO ACCOUNTANCY.

CHAPTER I.

A SKETCH OF THE ACCOUNTANCY PROFESSION.

ACCOUNTANCY is a comparatively modern institution, and has its rise in the principle of distribution of labour which, during the past century or so, has found increasing favour with all classes of the community, and especially among commercial men.

The earliest authentic evidence of the existence of professional Accountancy dates from the year 1720, and is in connection with one of the numerous side-issues that attended the failure of the South Sea Company, which is, perhaps, better known as the "South Sea Bubble." So far as can be gathered from the contemporary records, the Accountants of those days occupied a very different position from that which they now hold, and with but few exceptions they seem to have been mere teachers of bookkeeping and writing; while our knowledge of the capacity of those who teach bookkeeping and writing in public schools, even at the present day, is certainly suggestive that these earlier Accountants had no special claim to pose as authorities upon the subject of accounts.

We may, no doubt, take it that "Accountants" (as signifying business men who have a special knowledge of accounts and

finance generally) did not exist at so early a period; and, indeed, in the *London Directory* for 1799 we only find the names of eleven so-called "Accomptants," although this date is two generations later than that to which we at first referred. In 1809 the number had risen to twenty-four, and in 1822 there were seventy-three Accountants, or firms of Accountants, in practice in London.

It was not, however, until the middle of the nineteenth century that any real vitality existed in Accountancy as a profession, but a great impetus was given about this time by the application of the then recent discovery of steam as a motive power to railways, and during the railway mania (1841-1857) there arose a considerable demand for persons skilled in accounts, which gave a great fillip to the profession. At the close of the railway mania, in 1857-8, a reaction would doubtless have set in with considerable force, but for the fact that in the year 1855 the principle of limited liability as applied to joint-stock companies was for the first time introduced, while the Companies Act, 1862, which gave additional facilities for the formation of limited liability companies, afforded a further field for Accountants' operations, which ever since has been continually increasing. A further scope for the operations of Accountants was afforded by the Bankruptcy Act, 1869, and from this time forward the continuance of the profession was assured.

It is a matter for regret that the looseness of the provisions of the Bankruptcy Act 1869 encouraged many persons to become Accountants who not only had no qualifications whatever for the duties which devolved upon them, but further were so devoid of moral principle that their misconduct naturally reflected upon the profession as a whole; and it is no exaggeration to say that accountants are still suffering from the misdoings of the adventurers of a generation since. Be this as it may, however, from the middle of the last century the profession has continually increased both in numbers and in importance, and it now occupies a position which,

while in some respects perhaps second to the legal profession, is undoubtedly in its own way a far greater power for good and evil.

The presence of black sheep in the midst of this body naturally resulted in the more respectable Accountants forming various Associations for mutual protection, and for the purpose of affording to the public some sort of guarantee as to the standing of those whose services they employed. The earliest of these Associations was the Incorporated Society of Liverpool Accountants, established in 1870, while in the same year the Institute of Accountants of London was also incorporated; in 1871 the Accountants of Manchester followed suit by forming the Manchester Institute of Accountants; in 1873 the Society of Accountants in England was formed, having its head-quarters in London; in 1877 the Sheffield Institute of Accountants came into existence; and in 1879 an Association of Accountants of Manchester was added to the list of Accountants' Societies.

Before this latter date, however, the need had been generally felt for some central organisation which would embrace the whole of these Societies and place them upon one uniform footing of qualification, and with this end in view the leading Accountants of London and the provinces met together for the purpose of considering the possibility of applying for a Royal Charter for incorporating an Institute of Chartered Accountants for England and Wales. As may be readily supposed, there were numerous initial difficulties to be overcome; but eventually, thanks to the energy and tact of the original promoters, these were set at rest and application for a Charter was made and shortly afterwards granted on the 11th May 1880.

The Incorporation of the Institute of Chartered Accountants in England and Wales marks the commencement of a new epoch in the history of Accountancy in England; by its incorporation was achieved what had become a most urgent need, no less in the interests of the general public than in those of Accountants themselves. From that date the public had, at least, the guarantee

that men described by the titles conferred upon them by the Institute's Charter would be competent to perform the duties and worthy to fulfil the trusts imposed upon them in the exercise of the numerous positions in which they found themselves.

The Institute's regulations conferred upon the Council for the time being the power of admitting as Fellows or Associates of the Institute all persons who, at the date of the Charter, were Fellows or Associates of any one of the Societies already mentioned; as Fellows all who had been continuously practising for five years before that date; and as Associates all persons who for three years before the date of the Charter had been continuously in practice as Public Accountants, or who for five years before the date of the Charter had been either partly in practice as Public Accountants and partly in the service of Public Accountants as a clerk, or during the whole of that time had been in the service of a Public Accountant as a clerk. It was further provided that all other persons who might seek to gain admission should either pass such examination, as a test of their proficiency, as the Council for the time being might deem expedient, or (after a considerable time had expired) should be required to pass such examinations as might be prescribed by the Council, and, further, to serve a term of articles with a member of the Institute in practice as a Public Accountant.

At the present time the service of articles under a Chartered Accountant in practice is a *sine quâ non* for the entrance of newcomers into the profession, and the object of the present work is to afford information to those who may thus seek admission to the membership of the Institute.

The Executive of the Institute consists of a Council of not less than 45 Fellows of the Institute. The original Council was nominated by the petitioners for the Charter of Incorporation, but it is provided that nine members shall retire in rotation each year, and that the vacancies so caused shall be filled up by the Institute in general meeting, the retiring members being eligible for re-election.

As a matter of fact, such retiring members have hitherto invariably been unanimously re-elected. Casual vacancies upon the Council, caused by death or by resignation, are, in accordance with the regulations of the Institute, filled up by a vote of the Council.

Members of the Institute are divided into two classes, styled respectively "Fellows" and "Associates." Those who are entitled to be admitted as Fellows have already been mentioned, and it only remains to add that Associates are entitled to apply to the Council that they may be elected as Fellows after they have been in practice for not less than five years.

Fellows are entitled to write after their names the letters "F.C.A.," signifying "Fellow of the Chartered Accountants," and Associates are entitled to the "initials, "A.C.A.," signifying "Associate of the Chartered Accountants."

As indicating the enormous growth of the Institute during the past 26 years, the following table is appended showing the number of Chartered Accountants in each of the leading towns in January 1881, on the 7th April 1891, on the 5th June 1901, and on the 5th June 1907, the date of the last return:—

TOWNS		1881	1891	1901	1907
London	...	417	763	1,213	1,585
Manchester	...	126	201	296	357
Birmingham	...	73	164	234	266
Liverpool and Birkenhead	...	60	107	145	183
Sheffield	...	49	65	82	93
Newcastle-upon-Tyne	...	23	40	66	85
Leeds	...	17	31	57	82
Bradford	...	14	24	37	61
Cardiff	...	6	15	37	35
Leicester	...	12	25	35	46
Other towns in England and Wales, and Ac- countants practising in Scotland, Ireland and abroad	...	228	331	574	878
Total	...	<u>1,025</u>	<u>1,766</u>	<u>2,776</u>	<u>3,671</u>

This preliminary sketch of the history of the profession would be incomplete without some short account of the various Associations which have been formed since the incorporation of the English Institute. Foremost among these Societies of "outside" Accountants must be placed the Society of Accountants and Auditors, an Association which was incorporated under the Companies Acts in 1885 for the purpose of affording the benefits of co-operation to those who were ineligible for admission to the ranks of the Institute. In its earlier days the Society of Accountants and Auditors expressly disclaimed all attempts at rivalry with the English Institute, and was admittedly an association of Accountants' clerks, but it speedily became more ambitious in its designs, and now seeks to claim an equal position with the Institute of Chartered Accountants, although all impartial persons must be prepared to admit that its claim to hold such a position is by no means generally acknowledged. Nevertheless, the Society's regulations as to admission, &c., are at the present time closely allied to those of the Institute, although an essential difference between the two is that service under articles is not a *sine qua non* with the Society, nor is it even necessary that the applicant should be carrying on, or should be desirous of carrying on, the business of a Public Accountant.

Yet, on the other hand, it is but fair to admit that the Society includes among its members many competent Accountants of good repute, and the question has been more than once raised, both within the Institute and outside, as to whether it is not desirable that these two great bodies should arrive at some *modus vivendi*, and establish a uniform qualification by which the public might know whether or not an Accountant is really qualified to fulfil the duties appertaining to his profession. In the meanwhile, however, it may be pointed out that, inasmuch as the profession of Accountancy is one of extreme complexity and difficulty, the five years' probation imposed by the regulations of the Institute is none too long a period for the acquiring of the necessary knowledge and

experience, and that therefore it is beyond question the wisest course for all who may contemplate taking up Accountancy as an occupation to proceed according to the regulations laid down by the Institute in its Charter of Incorporation and to be articled to some Chartered Accountant in practice.

The wisdom of this step must be apparent even to those who may hold the view that in the near future some reorganisation of the profession is inevitable. It is impossible for the profession of Accountancy to be learned in less than five years, and it is equally impossible that it should be learned even in that time unless the student has an opportunity of acquiring that experience of *all* classes of Accountancy business which can only be gained by going through the routine of the office of an Accountant in first-class practice. That being so, and in view of the further fact that almost all the really first-rate firms of Accountants in England are members of the Institute, it will be seen that no possible advantage can be gained by departing from the course laid down by that body, even if it be thought (which is by no means certain) that admission to the Society will eventually lead to admission to the Institute itself. In Accountancy—more, perhaps, than in any other profession—actual experience is absolutely necessary before proficiency can be attained, and, as already stated, the only way to attain that experience, and at the present time the only way to obtain admission to the Institute, is by following the course prescribed by the Institute's Charter. It will therefore be assumed throughout the course of this work that all who intend to make a profession of Accountancy will do so by following the prescribed course of becoming articled to a member of the Institute and presenting themselves in due course for the examinations prescribed by that body, and it will be the object of the succeeding chapters to describe the means by which this course may be most satisfactorily pursued.

CHAPTER II.

ON BEING ARTICLED.

SUBJECT to the modifications introduced during the earlier years of the Institute (which no longer apply), it is necessary that all who now aspire to become Chartered Accountants should serve under articles with a practising member of the Institute. This is provided by clause 12 of the Charter, which states that “No person shall be allowed to present himself for the Final Examination under this our Charter unless he has served for five years at the least as a Public Accountant’s clerk, or if he shall have graduated in any of the Universities of our United Kingdom for the time being, then unless he has served three years at the least as a Public Accountant’s clerk; and in the case of all examinations held after the expiration of five years, or in the case of graduates as aforesaid three years, from the time when the first Bye-Laws made under this our Charter come into operation, service shall mean service under articles to a member of the Institute.” It will thus be seen that for all practical purposes it is now necessary that the student should become articulated to a member of the Institute for a term of five years, except in the case of graduates, who may serve for a reduced term of three years. It is probable that this concession to graduates has been made with a view to encouraging a University education upon the part of Accountants; and the encouragement afforded is substantial, seeing that it is open to anyone to graduate at a University and to pass through his articles to a Chartered Accountant in six years, which is only one year longer than the non-graduate would require. On the other hand, as we have pointed out in the previous chapter, five years is none too long a term in

which to become familiar with all the ramifications of an Accountant's business; and if, therefore, time is an object it seems desirable not to graduate but to be articulated at once. At the same time it cannot be disputed that the courses of instruction provided by the Faculties of Commerce in the Universities of Birmingham and Manchester (leading to the degree "B. Com.") should prove an invaluable preliminary training to anyone seeking to become a skilful professional Accountant.

The next question that naturally arises is the choice of a member of the profession to whom to be articulated, and in this connection it seems desirable to point out that it is by no means in every Accountant's office that thorough proficiency can be gained in all branches of Accountancy work. The actual range of business conducted in Accountants' offices may be stated as follows:—

1. Opening books.
2. Writing-up books.
3. Keeping books.
4. Auditing.
5. Secretaryships.
6. Directorships and Managerships.
7. The keeping of Executorship and Trust Accounts.
8. Investigations on behalf of new companies.
9. Investigations on behalf of shareholders of companies when the position is unsatisfactory.
10. Finance and company promoting.
11. Receiverships.
12. Liquidations.
13. Bankruptcies.
14. Special managerships.
15. Preparation of statements of affairs in bankruptcies and company liquidations.
16. Trusteeships under private arrangements.
17. Reconstructions of companies.
18. Arbitrations.

It will thus be seen that this opens a very wide field with which the student will require to make himself acquainted. The various classes of work may, however, be grouped as follows :—

1. Work requiring a knowledge of accounts.
2. Work requiring a knowledge of business methods and practice.
3. Work requiring a knowledge of commercial law.

The difficulty in selecting an office in which to be articled consists in that, leaving upon one side the very largest firms of Accountants, it will be found that there are very few who do not, to a great extent, concentrate their energies upon one of these groups. Thus some Accountants are chiefly concerned with audits and the opening and writing up of books; others devote themselves to secretaryships, directorships, and company promotion; while others again find their chief practice in bankruptcies and company liquidation. It is hopeless for the student to expect to obtain a thorough acquaintance with *all* the branches of an Accountant's profession in such offices as these, and consequently it is very desirable that, at the outset, careful inquiry should be made as to the precise *extent* of the practice of the Accountant with whom it is contemplated entering into articles. On the other hand, the offices of Accountants in a very large way of business present the obvious disadvantage that in the nature of things it is impossible for the principal to give any personal attention whatever to the articled pupil. His time is so occupied with important matters that this is necessarily left to one of the managing clerks, and that managing clerk will naturally only have charge of one department; so that, for all practical purposes, it would have been better for the student to have been articled to an Accountant whose main practice lay in one particular direction, seeing that, even if he be articled to an Accountant carrying on a very large and varied business, he is not likely to obtain familiarity with more than one department of that business.

What should be aimed at, rather, is the medium class of practice in offices which are neither too small to allow the student an opportunity of acquiring familiarity with all classes of business, nor yet so large that it is necessary, in the ordinary course of office organisation, to place him permanently in one department. There are further advantages in adopting this course, which will be duly dealt with in a later chapter, but for the moment it is sufficient to say that it is only in offices of medium size that the student is ever really likely to become practically acquainted with every branch of Accountancy, and, obviously, it is in the highest degree undesirable that his acquaintance with every branch should be of a purely theoretical nature.

Little definite information can be given with regard to the terms upon which Accountants are prepared to receive articulated pupils; but, speaking generally, it may safely be laid down that in all cases a premium will be required, and only a small salary will be paid during the term of articles. To a considerable extent the amount of the premium and of the salary will depend upon the ability and promise of the proposed pupil, but still more will depend upon the position of the Accountant with whom articles are to be entered into. It may, however, for general purposes, be laid down that the premium varies from 100 to 300 guineas, and that the amount of salary will vary from nothing up to such an amount (generally paid during the last two or three years of the articles) as will entirely absorb the premium paid. A very usual arrangement with high-class firms is to fix the premium at from 250 to 300 guineas, and the salary paid during the course of the last three years at about £100 or £150.

The Institute has prepared a form of articles for the use of those who may agree to its terms, and this form will be found in an Appendix to the present work. It is noticeable that no provision is there made for the payment of any salary.

Before leaving this subject it would be well to point out that, although it is impossible to give any definite information upon

the amount of premium that will have to be paid, it may safely be stated that it is not nearly so heavy as the premium which will be required by a firm of solicitors of equal standing in their profession; while a further point, which ought not perhaps to be altogether lost sight of, is that the stamp duty upon the articles of clerkship to a solicitor in England or Ireland is £80, whereas with articles of clerkship to a Chartered Accountant the duty is half-a-crown.

It is also well worth consideration that the crucial question is not so much what is the actual amount of premium payable as what will be the probable return for the money which has been so expended. And in taking this point into consideration it is not only necessary to consider what facilities will be afforded to the student, both by personal attention and by the ordinary experience of office work in that particular office, but there is the further point, namely, the position which the articulated clerk will one day inherit as having received his training in the office of such-and-such an Accountant.

It must be remembered that before articles of clerkship can be entered into it is necessary that the student should either pass the Preliminary Examination prescribed by the Institute, or obtain a certificate of exemption from such examination, and both these matters will be duly considered in the next chapter. Within one month from the date of their execution articles must be lodged with the Council for registration, and any transfers or assignments of any articles (whether caused by the death of the principal or otherwise) must likewise be lodged for registration.

During the term of their articles articulated clerks are not allowed to engage in any other business or occupation, unless with the permission of the Council, and it may be taken that this permission will not be accorded save under the most exceptional circumstances.

The following Bye-Laws of the Institute, which relate to articulated clerks, should be carefully studied :—

52. Before a member of the Institute receive a person to serve with him under articles, he shall require of such person the

production of a Certificate of the Institute to the effect that such person has passed the Preliminary Examination of the Institute or has been exempted therefrom.

53. The articles of every articted clerk shall, within one month after execution thereof (or within such extended period as the Council may in any case specially allow), be lodged with the Council to be registered, together with such evidence as to age as may be required.

54. If the employer of an articted clerk cease to practise, or cease to be a member, or be suspended from membership, the articles may be transferred to another member; or in the like events, or in the event of the death of the employer, the articted clerk may enter into fresh articles for the remainder of his term of service.

55. Articles may be assigned by agreement between the articted clerk and his employer.

56. The articted clerk shall lodge the transfer, assignment, or fresh articles with the Council, to be registered, within one month of such transfer or assignment, or of the execution of fresh articles, or within such extended period as the Council may in any case specially allow.

57. An articted clerk shall not be admitted to the Intermediate or Final Examination unless he shall have complied with the provisions of the Bye-Laws respecting registration, or the Council shall have (notwithstanding the expiration of the time limited in that behalf) allowed registration.

58. No member shall have in his service at the same time more than two articted clerks; provided that in the event of the decease or retirement from practice of any partner of a firm, any articted clerk or clerks of such deceased or retiring partner may complete his or their term of service with a surviving or continuing partner, and shall not for the purposes of this Bye-law be held to be in the service of such surviving or continuing partner.

59. No person who is under sixteen years of age shall be articulated to a member of the Institute.

60. No member shall be competent, while not in practice, or while he is suspended from membership, or while he is a clerk to a Public Accountant, whether a member or not, to retain or take an articulated clerk. An articulated clerk of a member who has been suspended or excluded from membership may be transferred to another member without being counted as one of the articulated clerks of such member within Bye-Law 58.

61. No articulated clerk shall, during his term of service, except by the permission of the Council, engage in any other business or occupation.

62. In the event of any complaint of misconduct being made against any articulated clerk, the matter shall be investigated by the Committee to be appointed under Bye-Law 103, who shall report to the Council; and upon the report of such committee, the Council may, with or without other evidence, at a meeting at which there shall be present and voting not less than twelve of the members of the Council, pass by a vote of not less than three-fourths of those present and voting a resolution to the effect that the said complaint has been proved and is of such a nature as to make the said articulated clerk unfit to become a member. On the passing of such resolution the articles under which he has been serving shall, for the purposes of the Royal charter and these Bye-Laws, be deemed to be at an end, and the registration of the articles shall be cancelled; and no member shall, except by the permission of the Council, retain or take him as an articulated clerk.

CHAPTER III.

THE PRELIMINARY EXAMINATION.

AS already stated, the Preliminary Examination is, under ordinary circumstances, the first formal step that has to be taken, and, as a matter of convenience, it is generally desirable that the candidate should present himself for this examination as soon as possible after leaving school, while his mind is still fresh with the various branches of scholastic knowledge which the examination comprises. It frequently happens, however, that it is not until after the candidate has left school for some little time that it is definitely decided that he should take up Accountancy as a profession, and in this case it is often surprising—and by no means gratifying—to parents to find how fleeting the memory is with regard to these scholastic subjects, with which, in the majority of cases, the mind is not occupied at all after the school days are once over.

The examination imposed by the Institute is, in point of fact, rather a serious undertaking (as may be seen by the table of results which is appended to this chapter), and unless, therefore, there is absolutely no doubt upon the subject, it is, under ordinary circumstances, very desirable, in order to save valuable time, to secure the aid of a regular coach in order to make the necessary preparation for the examination with a reasonable prospect of success at the first attempt. It is possible that this preparation may not necessarily engage the whole of the student's time during the intervening period, and if this be the case, it would be as well that arrangements should be made in the meanwhile with the Accountant

to whom it is proposed to article the student, so that the latter may attend at the office for a few hours daily and obtain some little insight into business matters in the meantime. This plan especially commends itself, inasmuch as it is always expedient, from both points of view, that the student should come to the office for a few weeks upon trial before being definitely articulated ; and if this can be done before the Preliminary Examination, it is, of course, just so many weeks saved.

The Preliminary Examination, like all the other examinations of the Institute, is held twice in every year, the usual times being the first week of June and the first week of December. In addition to being held in London, examinations are also held simultaneously in certain provincial centres, the most usual being Birmingham, Manchester, and Newcastle-upon-Tyne, if the number of candidates from any of these towns or their immediate neighbourhood renders such a course desirable in the judgment of the Examination Committee.

About six weeks before the date of the examination, which is always advertised in *The Accountants' Journal*, it is desirable that the candidate should obtain from the Secretary of the Institute the necessary form giving notice of his intention to present himself for examination. This form must be duly filled up, and, together with the examination fee of £2 2s., must be lodged with the Secretary at least 30 days before the date of the examination. In due course—*i.e.*, seven days before the examination commences—the candidate will receive a formal letter intimating the place and hours of the examination. This letter will have a reference number attached, and constitutes the candidate's admission ticket to the examination room. This reference number must be written on all his work, and on no account must his name appear upon his papers. As, however, the letter in question is accompanied by a detailed list of "instructions" to be observed by candidates, it is unnecessary to go further into the matter here.

The subjects which at the present time constitute the Preliminary Examination are as follows :—

- *1.—Writing from dictation.
- *2.—Writing a short English composition.
- *3.—Arithmetic.
- *4.—Algebra, to Quadratic Equations (inclusive).
- *5.—Euclid, the first four books (but Euclid's proofs are not insisted on.
- 6.—Geography.
- 7.—History of England.
- 8.—Latin, elementary.
- 9.—And any two of the following subjects, to be selected by the candidate, one of which must be a language :—
 - (1) Latin ; (2) Greek, ancient ; (3) French ; (4) German ;
 - (5) Italian ; (6) Spanish ; (7) Higher Mathematics ;
 - (8) Physics ; (9) Chemistry ; (10) Animal Physiology ;
 - (11) Electricity and Magnetism ; (12) Light and Heat ;
 - (13) Geology ; (14) Stenography (any recognised system is accepted).

In the formal announcements which precede each examination certain limits are sometimes placed upon some of the subjects, and special text-books are recommended for the use of candidates. It must be borne in mind, however, that even where text-books are recommended the examination is upon the *subject*, and not upon the text-books. As an example of the usual scope of these examinations, the questions set at the last examination, viz., June 1907, on the compulsory subjects, are here reproduced :—

ALGEBRA.

Q. 1.—Write down the symbolic expressions for :—

- (i.) The price of coal in shillings per ton when t tons cost $£l$.

* Special consideration is given to the results of the Examination in these subjects.

(ii.) The population, y years hence, of a country of which the present population is p and is increasing at the rate of r per cent. per annum.

(iii.) The perimeter of a rectangle of breadth x and area A .

Q. 2.—Show that the difference of the squares of two consecutive numbers is equal to the sum of those numbers, and the difference of their fourth powers equal to the sum of the numbers multiplied by the sum of their squares.

Q. 3.—Divide $x^3 + y^3 - z^3 + 3xyz$ by $x + y - z$ and verify your answer by putting $x = y = z = 1$.

From your answer to the first part of the question, write down the quotient of $x^3 + y^3 + z^3 - 3xyz$ by $x + y + z$.

Q. 4.—Resolve into factors

(i.) $x^2 - x - 30$; (ii.) $3x^2 - 5x - 2$; (iii.) $a^2 - b^2$.

Q. 5.—On the squared paper provided plot the graph of $y = x^2$, and read off from your diagram the square roots of 1.7, 2.5 and 3.4 as nearly as you can.

Q. 6.—On the same diagram draw the graph of $y = 1.5 + 0.25x$, and thence find the roots of the quadratic $x^2 - 0.25x - 1.5 = 0$.

Q. 7.—Electricity is supplied at different rates for light and for heating. When I have used 300 units for heating and 117 for light the amount charged is £5 17s. 6d.: when I have used 640 for heating and 150 for light the amount charged is £10 9s. 2d. Find the charge per unit for heat and for light respectively.

Q. 8.—Solve the equations

$$(i.) \frac{l}{x-l} - \frac{m}{x-m} = \frac{l-m}{x+n};$$

$$(ii.) \sqrt{x+6} + \sqrt{4x+13} = \sqrt{15x+19}.$$

Q. 9.—The difference between two numbers is 2, and the difference of their cubes is 386. Find the numbers.

Q. 10.—If $\frac{a}{b} = \frac{c}{d}$, show that both ratios are equal to

$$\frac{l.a + m.c}{l.b + m.d}$$

ARITHMETIC.

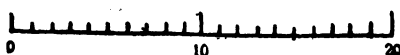
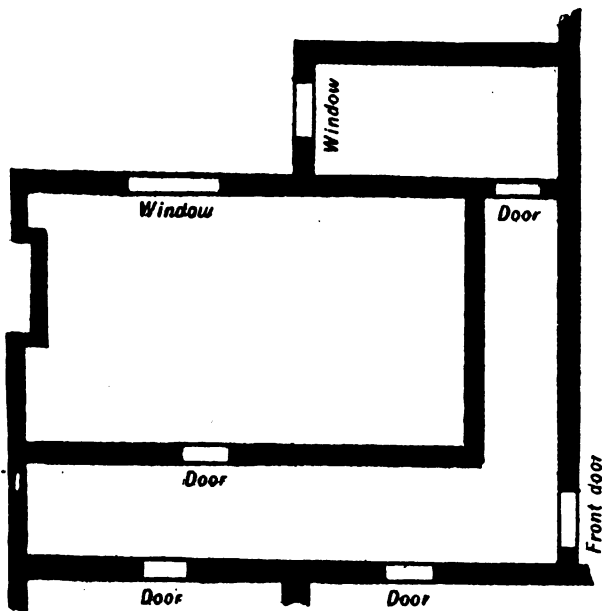
Q. 1.—The following table shows the population of the British Empire on or about the 1st April 1901 :—

	Population.
UNITED KINGDOM and islands in the British Seas ..	41,609,091
COLONIES, DEPENDENCIES, &c., in—	
Europe	472,502
Asia : Indian Empire	294,861,056
Other possessions	6,208,808
Africa : West Africa	28,992,166
South Africa	6,674,527
Other Possessions	7,362,995
America : North America	5,618,260
West Indies and Central America ..	1,614,406
South America	298,149
Australasia : Australian Commonwealth ..	3,886,154
New Zealand	816,214
Other possessions	542,376

Find the total population of the British Empire, and give a short table showing how many, out of 1,000 of the total population, are resident in the United Kingdom and Europe, in Asia, Africa, America, and Australasia respectively.

Q. 2.—The area of the United Kingdom with the islands in the British seas is 121,392 square miles, and that of the Indian Empire 1,766,597 square miles. Find the average number of persons to a square mile in each.

Q. 3.—The sketch plan below shows the passage and two rooms of a flat. Estimate the cost of covering the whole with linoleum at 2s. 3d. a square yard, adding 10 per cent. for waste.



Scale of feet

Q. 4.—Find the number of pieces of paper required to paper the passage, the piece being 27 inches wide and 12 yards long. The doors may be deducted entirely, as there is glass over for lighting the passage; deduct 3 feet for each door into a room, and 3 feet 6 inches for the front door at the right-hand lower corner. Height of the passage 9 feet from skirting to cornice. Any fraction of a piece to be reckoned as a whole.

Q. 5.—The income tax is to be charged this year at 9d. in the £ on earned income and 1s. in the £ on unearned income : last year it was charged at a uniform rate of 1s. in the £ on all income. If five-sixths of a man's income is earned and he paid £68 2s. 6d. in tax last year, what will he pay this year, the total income, before taxation, from each source remaining the same ?

Q. 6.—A cylindrical vessel 30 centimetres in diameter and 14·15 centimetres deep will hold 10,000 cubic centimetres when filled to the brim. What must be the diameter of another vessel of the same depth to hold half the amount ?

Q. 7.—I invest £680 in 3 per cent. stock at 85, and reinvest the interest at the same price (interest paid half-yearly). What will be the amount of stock held after 18 months, and what will be the total annual interest then yielded by the stock held, without reinvesting interest ? (Work to the nearest penny.)

Q. 8.—In reprinting a book a smaller size of type is used and the size of the page is enlarged so as to increase the average number of words to a page by 25 per cent. By how much per cent. will the number of pages be decreased ?

Q. 9.—Express (i.) 7 cwt. 2 qrs. as the decimal of a ton ; (ii.) 0·859 of an acre in roods and poles (to the nearest pole).

Q. 10.—A. can run 2 miles in 9 minutes 30 seconds, and B. in 10 minutes. How many yards start should B. be given in order to make the chances of winning equal ?

ENGLISH COMPOSITION.

Write an Essay on *one* of the following subjects :—

1. Pets and Hobbies.
2. The value of a Dictionary.
3. "He can never be good that is not obstinate in doing what he knows he ought to do."

GEOMETRY.

Q. 1.—Define the meaning of the expressions *straight line*, *right angle*, *isosceles triangle*, *parallel straight lines*.

How would you test, on your drawing board, the truth of a straight edge?

Q. 2.—Show that, if a side of a triangle be produced, the exterior angle is equal to the sum of the two interior and opposite angles.

Q. 3.—Show how you would construct triangles, given the following data :—

- (i.) A triangle with sides 35, 44, and 27 millimetres long.
- (ii.) A right-angled triangle with a hypotenuse of 4 inches and one side of 2·5 inches.
- (iii.) An isosceles triangle with 3-inch sides and the angles at the base 30° .

Q. 4.—Prove that the area of a triangle is equal to the product of half the base by the altitude.

In a triangle ABC the length of AB is 8 centimetres, of BC 5 centimetres, and the angle B is 30° . Find the area of the triangle.

Q. 5.—ABCD is a rectangle of which AC is a diagonal and O is any point. Show that the sum of the squares on OA and OC is equal to the sum of the squares on OB and OD.

Q. 6.—State and prove the geometrical proposition equivalent to the algebraic identity

$$(a + b)^2 = a^2 + 2ab + b^2.$$

Q. 7.—Prove that in any obtuse-angled triangle the square on the side subtending the obtuse angle is greater than the sum of the squares on the sides containing the obtuse angle by twice the rectangle contained by one of those sides and the projection of the other side upon it.

Q. 8.—Prove that the opposite angles of any quadrilateral inscribed in a circle are together equal to two right angles.

Show that, if ABC be a triangle and BP, CP be drawn perpendicular to AB and AC respectively to meet at T, the points A, B, C, P lie on a circle of which PA is a diameter.

Q. 9.—State and prove a construction for describing a circle to touch two parallel straight lines and a transversal.

Q. 10.—The radius of the circumscribing circle of a triangle ABC is 2 inches, and the centre of the circle is distant 1 inch from the side BC. Find the magnitude of the angle A.

HISTORY AND GEOGRAPHY.

[Only *ten* questions to be attempted, including *two* in Geography.]

Q. 1.—Trace briefly the history of the English settlements in Britain, and give an account of the government of the English at the close of that period.

Q. 2.—Give an account of *either* (a) the English conquest of Wales, or (b) the relations between England and Ireland to 1800.

Q. 3.—What do you know of the life of Shakespeare? Give a short account of *one* of his Comedies.

Q. 4.—What were the causes of the Revolution in 1689? What were its results?

Q. 5.—What social and economic problems have arisen from the great development of machinery?

Q. 6.—Give a short description of Westminster Abbey and the Tower of London, and mention some incidents of historic interest associated with them.

Q. 7.—Write brief notes in explanation of the following:—
Repeal of the Corn Laws, First Reform Bill, County Councils, National Debt, Imperial Federation, Municipal Trading.

Q. 8.—How have the natural advantages and insular position of the British Isles contributed to their prosperity?

Q. 9.—Trace on a sketch-map of England, North of the Thames, the routes of the London and North-Western, Midland, and Great Northern railways, and indicate the position of the chief towns and industrial centres on these systems.

Q. 10.—What are the principal manufactures of Germany? Where are they carried on? What are the causes of the great development of German industry and commerce?

Q. 11.—Trace on a sketch-map the course of the Rhine, and indicate the position of the chief towns on the Rhine and its tributaries, and state for what they are noted.

Q. 12.—What peoples have settled in the British Isles and in Germany? How far do they trace a common origin? By what similarities of language and national character are the English and Germans distinguished from the Latin peoples?

Q. 13.—Write short notes on :—Leighton Buzzard, Worcester, Limerick, Belfast, Cork, Dundee, Greenock, Hamburg, Kiel, Nuremberg, Dresden, Leipzig.

LATIN (ELEMENTARY).

Q. 1.—Decline in full: *idem consul, tristis res, melior filius, ingens cornu.*

Q. 2.—Give the gender, meaning, ablative singular and genitive plural of *cor, domus, ordo, manus, vas, vis, pes, pedes, hospes, imber.*

Q. 3.—Give the Latin for: *on the first of July, at dawn, twenty-eight soldiers, most humble, the top of the mountain, more quickly, the brothers love one another, some one must say this.*

Q. 4.—Give in full the imperfect subjunctive of passive of *rego, audio, fero*; the future simple indicative active of *fugio, fio, sto*; the pluperfect subjunctive active of *possum, prosum, video.*

Q. 5.—Give the meaning and principal parts of *adipiscor, nascor, orior, sentio, vivo, vinco, vincio, maneo, parco, rideo.*

Q. 6.—How are (a) indirect questions, and (b) indirect commands expressed in Latin? Illustrate your answer by examples.

Q. 7.—Compose Latin sentences, with English translation, to show the use of: gerund, gerundive, supines, *quin*, *quominus*, *quanquam*.

Q. 8.—What are the chief uses of the dative cases in Latin? Illustrate your answer by examples.

Q. 9.—Translate into Latin:—

- (a) Do not go away till I ask you.
- (b) The more he sees the city the more he admires it.
- (c) If he had not lost the book, he would have given it to me.
- (d) He was so badly wounded that he died.
- (e) He said that he would use the sword which he had with him.

The Preliminary Examination occupies three days, the hours on the first and second days being from 11 to 1, 2 to 4, and 4.30 till 6; on the third day the examination concludes at 4 p.m.

The results of the examination are declared at the first meeting of the Council held after the date of the examination, which takes place on the second Wednesday in the following month, and the list of passes is published in the next succeeding issue of both *The Accountant* and *The Accountants' Journal*. The Institute issues certificates to the successful candidates, and in the case of those obtaining more than a certain number of marks the official list of passes is in the order of merit. In former years all the successful candidates were placed in order of merit, but this practice has been discontinued, except with regard to those above the average.

The following table shows the number of candidates at each of the Preliminary Examinations held since the opening of the

Institute, together with the number of successes and failures, and the percentage of the latter to the whole:—

DATE OF EXAMINATION.		NUMBER OF CANDIDATES.			Percentage of
		Total.	Passed.	Failed.	Failures.
1882	June } ..	32	15	17	53.1
	December }				
1883	June ..	41	24	17	41.4
	December ..	29	20	9	31.0
1884	June ..	42	28	14	33.3
	December ..	46	30	16	34.8
1885	June ..	39	21	18	46.1
	December ..	45	29	16	35.5
1886	June ..	44	27	17	38.6
	December ..	51	35	16	31.3
1887	June ..	39	25	14	35.9
	December ..	34	20	14	41.1
1888	June ..	67	48	19	28.3
	December ..	60	33	27	45.0
1889	June ..	61	40	21	34.4
	December ..	44	22	22	50.0
1890	June ..	46	20	26	56.5
	December ..	63	34	29	46.0
1891	June ..	55	25	30	54.5
	December ..	74	38	36	48.6
1892	June ..	82	47	35	42.6
	December ..	92	51	41	44.5
1893	June ..	108	59	49	45.3
	December ..	118	77	41	33.7
1894	June ..	113	68	45	39.8
	December ..	122	68	54	44.2
1895	June ..	118	83	35	29.6
	December ..	133	82	51	38.3
1896	June ..	125	79	46	36.8
	December ..	124	84	40	32.2
1897	June ..	143	103	40	28.0
	December ..	153	99	54	35.3
1898	June ..	185	126	59	31.9
	December ..	171	121	50	29.2
1899	June ..	200	143	57	28.5
	December ..	171	130	41	24.0

DATE OF EXAMINATION.				NUMBER OF CANDIDATES.			Percentage of Failures.
				Total.	Passed.	Failed.	
1900	June	..		195	156	39	20.0
	December	..		121	89	32	26.4
1901	June	..		200	137	63	36.5
	December	..		166	100	66	39.8
1902	June	..		208	151	57	27.4
	December	..		141	77	64	45.4
1903	June	..		189	105	84	44.4
	December	..		161	113	48	29.8
1904	June	..		181	112	69	38.1
	December	..		190	113	77	40.5
1905	June	..		208	161	47	22.6
	December	..		168	113	55	32.7
1906	June	..		185	136	49	26.9
	December	..		159	105	54	34.0
1907	June	..		204	147	57	27.9

It will be seen that the percentage of failures is sufficiently heavy to show the extreme importance of careful preparation upon the part of the candidate.

It has already been mentioned that under certain circumstances a certificate is granted by the Council exempting the student from the Preliminary Examination. This is provided for under Bye-law 74, which is as follows:—

PRELIMINARY EXAMINATIONS.

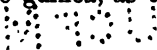
74.—Every person desirous of becoming an articled clerk shall, before he be articled, pass a Preliminary Examination to test his general education; save that the following persons shall be entitled to exemption from such examination:—

1. Graduates of any University in the United Kingdom.
2. Persons who have passed the following examinations, viz.:—
 - (a) The “Responsions” Examination at the University of Oxford.
 - (b) The “Previous” Examination at the University of Cambridge.

- (c) The Examination in Arts for the second year at the University of Durham.
- (d) The Matriculation Examination of the University of Dublin, the University of London, or the Victoria University of Manchester.
- (e) The "Moderations" Examination at St. David's College, Lampeter.
- *(f) The Examination of the First-class Certificate of the College of Preceptors.
- *(g) The Oxford or Cambridge Senior Local Examination.
- *(h) The Examinations for Commercial Certificates of the Victoria University of Manchester.
London Chamber of Commerce (Higher Examination).
- (i) The Examinations by the Civil Service Commissioners for First-class Clerkships in the Home Civil Service, and for the India Civil Service; and the Examinations for admission to the Royal Military College at Sandhurst and the Royal Military Academy at Woolwich.
- *(j) The Senior and Honours Certificate Examinations of the Central Welsh Board.
- *(k) The Senior Local Examination of Durham University.
- *(l) The Matriculation Examination of Birmingham University.

*Provided that, in the case of the examinations referred to in (f) (g) (h) (j) (k) and (l) the candidate shall have passed in the same subjects as those specified in Bye-Law 77, save that in such case a candidate may substitute an additional option subject for Elementary Latin.

Any person shall, upon satisfying the Council that he has graduated in any of the above Universities, or passed any of the above examinations, be entitled to receive a certificate to the effect that he is exempt from passing the Preliminary Examination of the Institute, upon payment of such fee, not exceeding one guinea, as the Council shall from time to time determine.



The Council may, by a resolution passed at a meeting specially convened for that purpose, with notice of the object, at which meeting there shall be present not less than twelve of the members of the Council, and for which resolution not less than three-fourths of those present, and voting, shall vote, resolve—

(a) That any one or more of the examinations mentioned in this Bye-Law shall no longer entitle to exemption from the Preliminary Examination ; or

(b) That any other specified examinations besides those set forth in this Bye-Law shall entitle to exemption from the Preliminary Examination : Provided, nevertheless, that the first proviso in this Bye-Law shall apply to all examinations so added by the Council.

Provided that, notwithstanding anything in these Bye-Laws, all persons who, prior to the date of these Bye-Laws, shall have passed any examinations which, under the then existing Bye-Laws of the Institute, would have entitled them to certificates of exemption from the Preliminary Examination, shall be entitled to such certificates.

The Council may, by a resolution passed at a meeting specially convened, with notice of the object, at which meeting there shall be present not less than twenty-four of the members of the Council, and for which resolution not less than three-fourths of those present and voting shall vote, resolve that any person, not being under thirty-five years of age, who at the date of his application shall have been for ten years continuously in service as a clerk to a Chartered Accountant, shall be exempted from the Preliminary Examination.

Those seeking to obtain a certificate exempting them from the preliminary examination, should bear in mind that power is reserved by the Council to vary these regulations from time to time, and that, therefore, it is very desirable that enquiry should be made at headquarters for exact information upon this point.

In 1907 Mrs. Deloitte made a presentation to the Institute in memory of her late husband, Mr. W. W. Deloitte (President of the Institute in 1888-9), in connection with which the Examination Committee has framed the following regulations:—

On the recommendation of the Examination Committee it was resolved:—

That the “Deloitte” Prize should be offered for competition at the Preliminary Examinations held this year under the following regulations:—

- (1) The Prize Fund shall be administered by the Council through the Examination Committee.
- (2) Until otherwise determined by the Council the prize shall be awarded once in every year to the candidate who in the opinion of the Examination Committee shall have best acquitted himself at the Preliminary Examinations of the Institute held in such year.
- (3) The person to whom the prize is awarded shall be entitled to receive from the Council by five equal annual instalments (one of which shall be paid to him on the completion of each of his five years of service) the whole of the annual income of the Prize Fund for the calendar year from the 1st of January to the 31st of December in which the examination shall have been held in respect of which the prize was awarded to him.
- (4) If at the time of the award of the prize to any person he is not then serving under articles to a member of the Institute in accordance with the Charter and the Bye-Laws of the Institute, and he does not enter into articles as aforesaid within a period of one year thereafter the award of the prize to him shall be cancelled.
- (5) The prize shall be of a personal character, and shall not be capable of alienation by the person to whom it is awarded, nor be payable to his personal representatives in the event

of his death, nor to him after his articles shall have been cancelled or determined or after the registration thereof shall have been cancelled by resolution of the Council ; an instalment shall be apportionable.

- (6) A person to whom the prize is awarded shall [if then serving under articles as aforesaid] thereupon receive from the Council a certificate to that effect under the Seal of the Institute. If not then serving under articles he shall receive such certificate immediately on his entering into articles as aforesaid within the period aforesaid.
- (7) If the person to whom the prize is awarded give notice to the Committee that he desires to renounce his right to the same, or if the award of the prize to any person be cancelled, the Council may in their discretion award the prize to the candidate at the examinations held in the same year in respect of which the prize was awarded, who in their opinion has the next best qualifications to receive the same.

The prize consists of one year's income of a sum of money now represented by an investment of £1,000, Didcot, Newbury, and Southampton Railway (Newbury section) 5 per cent. debenture stock.

CHAPTER IV.

THE FIRST HALF OF ARTICLES.

THE regulations of the Institute provide that the Intermediate Examination—which constitutes the second step towards membership—shall not be undertaken until at least half the term of articles has expired; that is to say, in the case of graduates at least 18 months must have elapsed, and in the case of non-graduates at least two-and-a-half years. Candidates *must* present themselves for the Intermediate Examination during their term of service under articles. In practice it will generally be found that in the case of graduates about two years, and in the case of non-graduates about three years must have elapsed before the student is eligible for the Intermediate Examination, which, as already stated, is only held twice a year.

During this interval the student will, of course, have been in constant attendance at his principal's office, and will have been engaged upon various classes of Accountancy work, which in themselves will constitute more or less of a preparation for the examination in question. The necessary amount of knowledge upon the part of the candidate for this examination will be more fully considered in the following chapter, but at the present time it is proposed to deal more particularly with the matters that are likely to occupy the student during the first half of his service under articles, and to give a few hints as to the manner in which his time may be spent to the best advantage.

The classes of work which are ordinarily undertaken in Accountants' offices have already been stated, but it is not to be supposed that at this early stage of his career the student will make practical

acquaintance with them all. On the contrary, as, indeed, is only natural, his experience will in the first place be chiefly confined to the routine work of an Accountant's office, including, perhaps, auditing the more simple forms of accounts under a senior. During the first 12 or 18 months it is probable that the student—particularly if he has had no previous business experience—will be occupied in the most elementary work of the office, such as copying accounts, writing up books, checking additions, calculating interest, and other smaller matters.

It is not impossible that at this stage he may experience a certain feeling of disappointment, and wonder how it is that his work differs so little from that of a mercantile clerk. In due course, however, he will learn to appreciate the vast importance of this elementary training, and in the meantime he must rest content to take it upon trust that in his own interests it will be best for him to do even this monotonous and somewhat distasteful work to the very best of his ability. The two great things which he should aim at in everything that he does, no matter how comparatively unimportant it may appear, are neatness and accuracy. It is probably quite unnecessary to emphasise the extreme importance of accuracy, for it must be obvious, even to the uninitiated, that inaccurate calculations—or, indeed, inaccurate work of any kind—are comparatively valueless, inasmuch as the time of someone more experienced has necessarily to be spent in correcting. With regard to neatness it is, perhaps, desirable to point out that a good style of handwriting is no more to be acquired in a few hours than anything else that is really worth having, and that consequently the student cannot afford to neglect *any* opportunities of practice which may be afforded to him. It may perhaps, however, bring home the importance of this a little more clearly if it is pointed out that until a really good style of handwriting has been acquired it is absolutely impossible for the principal to allow the student to write in any of the more important books of any client: in other words, a good style of handwriting is a *sine quâ non* before the student can

possibly be put upon any of those branches of work which really afford the most valuable experience.

When the student is a little more advanced, and has acquired sufficient experience to appreciate the extreme importance of these cardinal virtues of neatness and accuracy in every detail of his work, and when he really comprehends the serious and often costly results, both to his principals and his clients, which even an apparently trifling error may cause, the time will have arrived when it is possible for him to be occasionally sent out to assist in audits as a junior clerk. Here still, however, his work must necessarily be of a somewhat monotonous nature, seeing that, at all events for some little time, his duties will consist of checking additions in various books of account, and in assisting the senior in charge of the audit in checking the postings of these various books by calling out the amounts and posting folios. As a rule, the senior takes the Ledger, and it is the duty of the student to "tick" or initial the various items in the subsidiary book as he may be directed. When he has had a little experience in "calling back" postings, he will, if he is up to the work, be able materially to assist his senior, by picking out the various posting folios in numerical order, so that the senior has either to work forwards or backwards, instead of both backwards *and* forwards. Until, however, he has become thoroughly accustomed to this class of work he will necessarily have to be especially careful that no item is ticked until the senior has passed it as correct. Much more might be said upon these and kindred topics, but it is beyond the scope of the present treatise to deal exhaustively with all the manifold detailed work which necessarily comes before the student in the course of his five years' articles.

After a few months' experience in pure routine work, it is probable that the student, if he is really anxious to get on, will *begin* to comprehend the scope and the bearing of the various details of audit work upon which he is engaged, and under these circumstances his senior will, in the vast majority of cases, be only too

willing to afford him all the information in his power, if only for the sake of reducing his own labour and responsibilities. In the meantime—and especially because at this period of his articles he will probably have ample opportunities of doing so—the student should make a point of using every spare moment in acquiring a thorough *theoretical* knowledge of the principles of bookkeeping by double entry. When he has sufficiently grasped these principles to always keep in view the main point which underlies every practical system (viz., that every transaction must, somehow or other, be recorded twice in the Ledger, once upon the debit side and once upon the credit), it is probable that, with a little intelligent application and judicious enquiries from his senior, he will make rapid progress with regard to the general principle underlying bookkeeping in *practice*, which it need hardly be pointed out is as different from bookkeeping in theory, as practice and theory are in most other matters.

At this time, too, he should cultivate, as far as possible, rapidity in working, which, second only to neatness and accuracy, is of the greatest possible value. Indeed, in his case it is of particular importance, inasmuch as he will then, under ordinary circumstances, probably have greater facilities for watching his senior completing the various higher departments of an audit, such as providing the necessary percentages for depreciation upon wasting assets, writing off bad debts, distinguishing between capital and revenue charges, and the like; and it is probably not until he arrives at this stage that he will really begin to appreciate the vast difference that exists between theoretical and practical bookkeeping.

In addition to a thoroughly sound knowledge of bookkeeping, it is necessary for anyone who aspires to the position of a capable Accountant, to possess a very large measure of business knowledge and acumen. It is indeed probable that in no other vocation are so many and such varied business qualities called for as in that of a professional Accountant. It may truly be said that there is hardly a single branch of knowledge which is not of value to him,

more particularly in connection with the details of manufacturing and trading concerns. It is absolutely necessary that he should be fully conversant with the law and the practice which govern the relations of such undertakings with their customers and creditors ; and with regard to manufacturing undertakings it is certainly equally desirable, if less imperative, that he should have at least a general knowledge of the various processes through which the raw material passes in the course of its manufacture. At first sight this may appear to be a somewhat extreme view to take, but in this connection it is important to remember that unless the Accountant is able to talk with the manufacturer about his own business with at least some show of knowledge thereon, in nine cases out of ten his opinion, even upon points of account, will carry little weight.

With regard to purely financial undertakings, the same general principle holds good. A knowledge of the principles of the law and practice of banking and finance generally, and more particularly of Stock Exchange transactions, is simply invaluable to an auditor, although, of course, it is not vitally essential in order to enable him to verify most of the accounts which may be submitted for his approval. Similarly, if he is called upon to audit the accounts of some local authority, he will find that a large amount of legal knowledge (which hitherto may perhaps have entirely escaped him) is now requisite, and in particular he will require to look into such matters as a sufficiency of the sinking fund raised for the redemption of loans, and here a knowledge of mathematics, and especially algebra, is all but essential. In short, if the student aspires to become one day a thoroughly competent Accountant, he must lose no opportunity of acquiring knowledge of any kind wherever the chance may occur ; and it may even be added that it is almost impossible for him to acquire *any* knowledge which will not, in some manner and at some time, be found profitable to him in the pursuit of his varied avocations.

So far, attention has been confined to those branches of Accountancy which are more or less based upon the keeping of accounts ;

but, as has been stated in a previous chapter, these form only a fraction of the occupations of an Accountant in general practice. A very vast field is covered by matters more or less directly bearing upon the insolvency of companies or of individuals, and with this class of work also the student will probably become acquainted during the earlier years of his articles. The especial requisite for this branch is a complete knowledge of the various statutes bearing upon the matter, as, for example, the Bankruptcy Acts of 1883 and 1890, the Deeds of Arrangement Acts of 1887 and 1890, the Companies Acts 1862 to 1907, and the Conveyancing Act of 1881. In dealing with this class of work, the student will necessarily come into very close contact with what may be called the seamy side of human nature, and in the first instance it is not improbable that he will find the work somewhat uncongenial; but, like everything else he will come across in the course of his articles, it will afford him very many valuable object lessons, not the least important being a very considerable insight into human character, which in the long run cannot fail to give him a facility for dealing successfully with all classes of persons with whom he may have business relations.

It might almost be said that the treatment of the accounts of deceased persons forms in itself a separate and distinct branch of Accountancy, but this appears to be only true so far as the law is concerned; and here, indeed, there will be much for the student to learn. The accounts themselves, however, in spite of what some few persons may say to the contrary, are in the vast majority of cases simplicity itself compared with those of a large manufacturing undertaking, the chief distinction being that as a rule the work of the Accountant will be to *keep*, rather than to audit, these accounts, and that consequently until the student has really acquired a good style of handwriting it is probable that his principal will not be able to afford him facilities for acquiring experience in this important branch of his profession.

The various matters which have been shortly dealt with in this chapter will probably constitute the bulk of the student's experience

during the first years of his articles, and if he has shown himself apt to learn it is probable that his experience, unaided by any special preparation beyond careful reading, will be sufficient to enable him to face the examiners when the time for his Intermediate Examination approaches; but inasmuch as practice, like theory, is not everything, it is desirable that he should not altogether neglect the latter, but should even in the earlier years of his articles join one of the Accountant Students' Societies which are to be found in every important town, and make a point of regularly attending every meeting thereof. Not only will he thus hear many valuable lectures from experts upon various subjects, but he will also have an opportunity, which he should in no wise neglect, of acquiring at this early stage in his career a personal acquaintance with his contemporaries in accountancy, and a facility for speaking before others which is so absolutely essential an accomplishment of the successful practitioner.

Bye-Law 22 provides that "the Council may, with the consent of a general meeting, employ any part of the funds of the Institute "in . . . the foundation of prizes, scholarships, or exhibitions "in connection with the subjects of the examinations conducted or "held by the Institute as well as for any other general purposes "of the Institute." Up to the present nothing has been done in this direction out of the Institute's funds, but private donors have been more generous.

In 1905 Mr. W. B. Peat, F.C.A., presented to the Institute £1,000 Central London Railway 4 per cent. Debenture Stock for the purpose of founding a prize, to be known as "The Robert Fletcher Prize," in memory of the late Mr. Robert Fletcher. The conditions attached to this award are as follow:—

- (1) The fund shall be administered by the Council through the Examination Committee.

- (2) The prize shall be awarded in connection with the ordinary Intermediate Examination, or in the discretion of the Council in any other way they may determine in relation to the Intermediate Examination.
- (3) The Council shall have power in their discretion not to award a prize.
- (4) A person to whom the prize may be awarded shall receive from the Council out of income arising upon the investment of the fund, if and so far as the income for each year is sufficient, the sum of £30 a year, in half-yearly instalments of £15 (payable in advance) from the date of the examination to the termination of his articles, but the aggregate payments shall in no case exceed £75. In respect of the last payment, in the event of the articles expiring before the end of a half-year, it shall be apportioned.
- (5) As often as, in the opinion of the Council, a sufficient sum is in hand from the income not applied under the preceding clause an additional prize of like amount will be awarded at the next Intermediate Examination, and the successful candidate shall receive, in half-yearly payments, the amounts specified in the foregoing clause, subject to its terms.
- (6) These prizes shall only be capable of being awarded to a clerk who is serving under articles to a member of the Institute, and who not being more than 25 years of age presents himself for examination at the earliest possible date at which he can present himself for such examination under the Bye-laws. No candidate can compete at more than one examination.
- (7) The payment of the sums referred to in Clause 4 shall be of a personal character, and shall not be capable of alienation, and, in the event of the death of the person to whom

any prize was awarded, shall not become payable to his personal representatives, nor to him if at the date of such payment falling due his articles have been cancelled or determined otherwise than by lapse of time, or if by resolution of the Council registration of such articles has been cancelled.

- (8) A person to whom a prize may be awarded shall receive from the Council a certificate to that effect under the seal of the Institute.
 - (9) Should a person to whom the Council may award the prize give notice to the Committee that he desires to renounce his right to the same, the Council may in their discretion award the prize to the next candidate at the examination who is, in their opinion, qualified to receive the same.
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CHAPTER V.

THE INTERMEDIATE EXAMINATION.

AS has been already stated, the articled clerk must present himself for this examination after at least one half of the term of his articles has expired; it will, however, be only wise for him to commence preparing therefor at least six or eight months before the examination actually comes off. If the opportunities of gaining experience afforded to him in the office have been both ample and general, it is probable that he will be able to prepare himself without any further assistance than that afforded by the available text-books, together with such hints as he may be able to obtain from his seniors in the office and from his principal; but where for any reason his opportunities have been somewhat restricted—either to one or more of the departments into which the occupation of an Accountant divides itself, or to the more rudimentary work in connection with the various departments—it will probably be well worth his while to secure the services of a “coach,” either for the legal subjects alone, the Accountancy subjects alone, or even for both.

It is important to remember that, inasmuch as an interval of at least two years (or one year in the case of graduates) must elapse before the student who has passed the Intermediate Examination can present himself for the Final Examination, failure to pass the Intermediate at the first attempt probably delays the passing of the Final Examination until after his term of articles has been completed, and thus has the effect of losing a clear six months before he is in a position to really start his career as a Chartered Accountant. That being so, it is very desirable

—other considerations apart—to make a serious attempt to succeed upon the first occasion; but it is even worth while to go further than this, and not merely work with the idea of *passing* the Intermediate Examination, but also to (so far as possible) lay by a store of knowledge which will not only prove useful during the remainder of the term of articles, and thus improve the student's position in his principal's office, but also materially reduce the amount of preparation which will eventually be necessary for the Final Examination. This latter consideration is, if anything, the more important of the two, inasmuch as the preparation for the Final Examination will, even under the most favourable circumstances, be a serious matter; while, the student being at this latter period of his articles far more useful in the office, it is only to be expected that his time will be more fully occupied, and thus he will have less time available to devote to actual preparation for the examination.

From every point of view, therefore, it is very desirable that the candidate for the Intermediate Examination should be well prepared, and in order to secure this end it is desirable to start reading in good time. This particularly applies to those who are reading for the November examination, for they will have to allow for the fact that the vacation intervenes, and it is undesirable that this should be curtailed on the eve of a period of protracted and serious work.

During the earlier years of the Institute's career the Intermediate Examination occupied three days, and covered precisely the same subjects as the Final Examination; but since 1884 two of the law papers have been omitted, and the examination now occupies two days. The subjects of the papers (two of which are set each day) are as follows:—

Bookkeeping and Accounts (including Partnership Accounts).

Bookkeeping and Accounts (including Executorship Accounts).

Auditing.

The Rights and Duties of Liquidators, Trustees, and Receivers.

The examination is ordinarily held on the Tuesday and Wednesday in the third weeks of May and November; but when (as is sometimes the case) the Whitsuntide intervene, the Intermediate Examination will be held on some other convenient days. Ample notice of the dates of the examinations is, however, always given in *The Accountant* and *The Accountants' Journal*.

The Institute publishes a list of works recommended to candidates for the examinations, but as no distinction is made between the Intermediate and Final Examinations, and as, moreover, the list has not been revised for many years, notwithstanding the fact that the works available to students have been quadrupled during that period, it may profitably be supplemented by the following list:—

Dicksee's *Bookkeeping for Accountant Students*, price 10s. 6d.

Carter's *Students' Guide to Executorship Accounts*, price 3s. 6d.

Pollock's *Digest of the Law of Partnership*, price 8s. 6d.

Dicksee's *Auditing*, price 21s.

Eustace Smith's *Summary of Company Law*, price 9s.

Stevens' *Bankruptcy*, price 5s.

All the above may be obtained from Messrs. Gee & Co., 34 Moorgate Street, London, E.C.

It is probable that those who read this work merely for the purpose of gauging the difficulties of entering the profession of Accountancy and the rewards which it offers when once the necessary qualifications have been acquired, will derive but little information from any detailed consideration of the various technical subjects selected by the examiners; but those who, having embarked upon the profession, use this work as a guide to assist them in their studies, will doubtless desire to have some more definite knowledge than a mere list of subjects as to what is required of them at each of the examinations, and for this purpose the questions set at the

last Intermediate Examination—namely, that of May 1907—are reproduced here. They are as follows :—

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—John Smith and Richard Jones agree to import timber from Norway. On 1st April 1906 they open a Banking Account in their joint names. Smith pays in £2,000 and Jones £3,000, and they agree to divide profits and losses in proportion to their cash contributions. On 1st May they pay for timber bought £2,300 on account, and on 2nd June the balance of the account £700; on the latter date they also pay freight and charges amounting to £600. On 15th July they pay for a further shipment of timber £1,150, and for freight and charges thereon £250.

Their sales are as follow, in each case for cash :—6th June, £400; 10th, £500; 16th, £1,000; 21st, £450; 27th, £600; 1st July, £500; 15th, £800; 20th, £500.

On 30th June each of them draws out £1,000.

On 31st July the venture is closed by Jones taking over the remaining timber in stock at £300, which he pays for by cheque the same day.

All moneys are paid into the Bank as received. Write up the Cash Account, and make out a statement showing what is due to each on 31st July.

Q. 2.—What do you understand by the term “holding out” as applied to partnerships?

Jones, Brown, and Robinson carry on business in partnership as “Jones, Brown & Co.” Jones retires from the firm, which is afterwards carried on under the same name. What steps must Jones take to secure himself from liability for debts of the firm contracted after his retirement?

Q. 3.—The following is the Balance Sheet of A., B., and C., trading together in partnership as timber merchants:—

BALANCE SHEET, 31st December 1906.

<i>Liabilities.</i>				<i>Assets.</i>			
		£				£	
Sundry Creditors	..	..	2,000	Cash in hand	..	..	50
Bank Overdraft..	..	..	300	Stock-in-Trade	..	..	1,500
A.—Capital Account	..	..	2,000	Machinery and Plant	..	..	2,000
B.	..	..	1,000	Sundry Debtors	..	..	1,200
				C.—Capital Account over-			
				drawn	..	..	550
			<u>£5,300</u>				<u>£5,300</u>

C. is insolvent, and there is no surplus from his private estate. It is decided to wind up the partnership as on 31st December 1906. On realisation the Assets produce as follows:—Cash, £50; Stock, £1,000; Machinery and Plant, £1,500; Sundry Debtors, £1,000; Profits and Losses are divisible equally.

Write up the accounts, and show what each partner will ultimately receive.

Q. 4.—Smith, Jones, and Scott carried on business in partnership as ironfounders. They decided to sell their business to a Limited Company, to be called the Climax Foundry Company, Lim., as on and from 1st January 1907, on which date their Balance Sheet showed assets as follows:—

Cash in hand	..	..	..	£50
Balance at Bank	..	..	..	250
Sundry Debtors	..	..	£5,500	
Less Reserve for Loss	..	..	500	
			<u>5,000</u>	
Bills Receivable	..	..	..	1,500
Stock-in-Trade	..	..	..	7,000
Plant and Machinery	..	..	..	2,500
Lands and Buildings	..	..	..	3,000
Patterns and Models	..	..	..	1,000
Loose Tools and Trade Utensils	..	..	..	800
				<u>£21,100</u>

Whilst their liabilities were as follows :—

Sundry Creditor	..	..	..	£3,500
Bills Payable	..	..	..	400
Loan on Mortgage of Land and Buildings	..	..	..	2,200
				<hr/>
				£6,100

The Capital belonged to them in equal shares.

The purchase price was fixed at £18,000, and the discharge by the company of the liabilities of the firm as shown above.

The £18,000 was, in accordance with the agreement, discharged by the allotment of 12,000 Ordinary Shares in the Company of £1 each, and 6,000 6 per cent. Cumulative Preference Shares of £1 each to the partners equally.

Draft the Journal entries to record the above transactions, and write up the Vendors' Account in the company's books.

Q. 5.—A., B., and C. carry on in partnership the business of tailors. They share the net profits, after charging partners' salaries and interest on capital, equally. They are entitled to 5 per cent. interest on their respective capitals, which are—A. £2,000, B. £1,000, C. £500, and they draw as salary—A. £5 per week, B. £3 per week, and C. £4 per week.

The net profits of the business, after debiting to Profit and Loss Account the above items, and also Loan Interest £50, Depreciation of Freehold Premises owned by the firm £50, Bank Interest and Charges £35, and Depreciation of Tools and Machines £25, are as follows :—1903, £600 ; 1904, £615 ; 1905, £750. The net assessable value of the firm's premises is £50. Income-tax, both Schedule A and Schedule D, is charged directly to the partners and not passed through the Profit and Loss Account.

Make out accounts showing the amount upon which the firm should be assessed under Schedule D for the year 1906-7. The partners apply to be assessed separately. Show the amount upon which each would be liable to assessment, and state what amount of abatement each would be entitled to, none of them having any other source of income.

A deduction of £25 is allowed by the Surveyor of Taxes for Depreciation of Tools and Machines.

Q. 6.—On 30th June 1906 Jones & Co. purchase the lease of a shop and premises for the purposes of their business. The lease is for a term of 21 years from 30th June 1895, at a rent of £50 per annum. They pay £250 for the lease. Open a Ledger Account in the firm's books in respect of this payment, and state how it should be dealt with upon taking the annual account on 30th June 1907 and in subsequent years.

Q. 7.—What is an "Account Current"? Illustrate your answer by a *pro forma* example.

Q. 8.—Smith and Roberts carry on business together as coal merchants. Their partnership deed provides that Smith shall draw £600 and Roberts £400 per annum by equal quarterly instalments as salary. They are also to be credited with 5 per cent. interest on their capitals, which are—Smith £7,500, Roberts £6,000, and, after charging partners' salaries and interest on capital, the balance of profit is to be divided equally between them.

At 31st December 1906 their Profit and Loss Account for the year shows a balance of profit of £3,075, before charging partners' salaries and interest on capital.

The quarterly cheques for salary have been debited to their respective Drawing Accounts, which stand as follows:—Smith *Dr.* £1,200, Roberts *Dr.* £900.

Complete the Profit and Loss Account, and write up the Drawing and Capital Accounts of the partners, transferring the balances of the Drawing Accounts to their respective Capital Accounts.

Q. 9.—Henry Harris carries on business as a Wine Merchant. He keeps a Cash Book (in which all his receipts and payments are entered), a Sales Day Book, and a Sales Ledger. He files all his invoices and pays on the statements. All moneys are paid into the bank the day following their receipt, and all payments above

£1 are made by cheque; a Petty Cash Book is kept for small payments, and cheques are drawn for petty cash when required.

You are requested to put the accounts on a proper system of double-entry, and to write them up for the six months ended 31st March 1907. How would you proceed, and what books would you introduce?

Q. 10.—The following is the Trial Balance of the Excelsior Trading Company, Lim., on 30th September 1906:

Ordinary Share Capital	..	..	£10,000
Preference „ „	..	..	5,000
4 per cent. 1st Mortgage Debentures	..	..	5,000
Stock, 30th September 1905, Dept. A.	..	..	£8,000
„ „ „ „ B.	..	..	3,000
Purchases, Dept. A.	..	..	23,000
„ „ B.	..	..	15,000
Wages „ A.	..	..	1,000
„ „ B.	..	..	500
Carriage and Freight	..	..	1,500
Salaries	..	..	750
Travelling expenses	..	..	900
Incidental expenses	..	..	150
Rates and Taxes	..	..	300
Fuel, Light, and Water	..	..	120
Insurance	..	..	60
Sales, Dept. A.	..	..	30,000
„ „ B.	..	..	20,000
Sundry Debts	..	..	9,000
Bills receivable	..	..	1,500
Sundry Creditors	..	..	4,000
Freehold premises..	..	..	4,200
Managing Director's salary	..	..	1,000
Directors' fees	..	..	500
Stationery and Stamps	..	..	170
Discounts	..	..	600
Preference Dividend, half-year to 31st March 1906	..	..	150
Debenture Interest „ „ „	..	..	100
Cash in hand	..	..	100
Balance at Bank	..	..	3,000
Profit and Loss Account—Balance from 30th September 1905	..	..	600
			<u>£74,600</u>
			<u>£74,600</u>

Provide £500 for bad debts, and make out departmental Trading and Profit and Loss Accounts (dividing the expenses between the departments in proportion to the sales), and Balance Sheet at 30th September 1906. The Stock at 30th September 1906 was—Dept. A, £6,000; Dept. B, £2,800. The Nominal Capital of the Company is £25,000, divided into 15,000 Ordinary Shares of £1 each and 10,000 6 per cent. Cumulative Preference Shares of £1 each.

AUDITING.

Q. 1.—As the Auditor of a Trading Company, what steps would you recommend should be taken to verify the total of the stock appearing in the Company's Balance Sheet?

Q. 2.—Give a copy of an Auditor's certificate on a Company's Balance Sheet, and a special report to the shareholders on the same, calling particular attention to the manner in which the Directors have dealt with the Depreciation on Plant.

Q. 3.—As Auditor, what documentary evidence would you require to satisfy you as to the correctness of the Cash and Bank balances and the investments in Consols and Shares of a limited company at 31st December 1906, when the audit of the accounts was not completed till, say, three months after the date of the Balance Sheet?

Q. 4.—What steps would you take to check the totals of the Bills Receivable and Bills Payable appearing in the Balance Sheet?

Q. 5.—How should the liability on Bills Receivable under discount, and the liabilities on partly-paid Shares held as investments, be treated in the Balance Sheet? How should these liabilities be treated in the Ledger?

Q. 6.—Where a Trading Company has a head office and various branches which buy from, and sell to each other on credit, how should these balances outstanding at the date of the Balance Sheet be treated in the Balance Sheet submitted to the shareholders in view of the wording of the Auditor's report given in the Companies Act, 1900?

Q. 7.—How do you audit the entries in the Journal? Refer to the entries in connection with some business with which you are specially acquainted.

Q. 8.—If the Directors of a Company should decline to carry out the recommendations of the Auditor on the subject of providing for depreciation of marketable securities, what would be the Auditor's duty under the circumstances?

Q. 9.—A Paper Manufacturing Company has a head office in London and two mills in the country. The mills invoice the paper to the head office at cost plus 25 per cent. The average cost of bringing the paper to London is 5 per cent. paid at the London office. In dealing with the paper stock in London when the Balance Sheet is prepared, what would be the correct basis on which to value this stock?

Q. 10.—A Company owning tea estates in Ceylon balances its books at 31st December, and brings the season's stock of unsold tea into stock at the sale price. Do you consider this correct or otherwise? State your reasons.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—What is the duty of an Executor with respect to the accounts of the property he is called upon to administer, and what books should he keep?

Q. 2.—The trading of the A. B. Co., Lim., for the year ended 31st December 1906 resulted in a profit of £30,000, after providing for all expenses of management, &c.

The balance of profit brought forward from the previous year amounted to £2,000.

The paid-up capital of the Company amounted to £100,000 in Ordinary Shares, in addition to which the Company had issued Debentures amounting to £60,000.

The Plant and Machinery appeared in the Balance Sheet at £150,000.

Interest for one year at the rate of 5 per cent., less income-tax at 1s., had to be provided in respect of the Mortgage Debentures.

The Directors recommended and the shareholders confirmed—

- (1) The transfer of a sum amounting to 10 per cent. on the book value of the Plant and Machinery to a Depreciation Account.
- (2) The payment of a dividend of 10 per cent. for the year on the Ordinary Share Capital, less income-tax at 1s.
- (3) The balance to be carried forward.

You are requested to draft the entries necessary to give effect to the above.

Q. 3.—Prepare a Balance Sheet of the O. K. Co., Lim., as at 31st December 1906, from the following:—

Freehold Land and Buildings	..	..	..	£38,000
Stocks on hand	..	..	..	40,000
Capital—Nominal £100,000.				

Capital subscribed:—

40,000 6 per cent. Cumulative Preference Shares of £1 each, fully paid				
..	..	..	..	40,000
27,000 Ordinary Shares of £5 each, £2 called				
..	..	..	..	54,000
Plant and Machinery	..	..	..	16,000
Mortgage Debentures	..	..	..	10,000
Additions to Plant during the year	..	..	..	2,000
Debts due to the Company	..	..	..	20,000
Cash in hand	..	..	..	50
Cash in Bank	..	..	..	1,000
Creditors on Open Accounts and Bills payable (including £20 unclaimed dividends)				
..	..	..	..	5,000
Balance in Bank on Dividend Account	..	..	..	20
Reserve Account	..	..	..	500
Bills receivable (in addition to which Bills amounting to £500 were under discount)				
..	..	..	..	1,100
Insurance, &c., paid in advance	..	..	..	100
First Call Account, due from sundry shareholders	..	..	..	50

Profit and Loss Account:—

Balance from last year	..	..	£200	
Balance this year	..	..	8,720	
			<hr/>	8,920
Formation Expenses	..	..	..	100

Q. 4.—What is meant by "The Residuary Account"? Explain briefly how it is made up and what it contains.

Q. 5.—What are the provisions of the Apportionment Act, 1870?

How should an Executor deal with the following in preparing an account for Probate?—

(a) Dividends from shares in a Public Company.

(b) Profits of a partnership.

(c) Profits from a voyage of a steamship—

(1) Privately owned.

(2) Owned by a Limited Liability Company.

Q. 6.—An Executor having realised the estate of the deceased with the exception of Debenture Stocks valued at £4,000, and having paid all duties, costs, and expenses, has an available cash balance for distribution amounting to £26,000.

The estate is to be divided as follows:—

To two sons, A. and B., one-tenth each.

To three daughters, C., D., and E., the balance equally.

It is arranged that the two sons shall take the Debenture Stocks between them as part payment of their respective shares.

Prepare an Account showing the shares of each child.

Q. 7.—Prepare Executor's Books to record the following transactions and draw up Balance Sheet at 31st January 1907.

Testator died 31st October 1906, and left estate as follows:—

	£	s	d
Household Furniture	450	0	0
Cash in house	10	0	0
Cash in Bank	250	0	0
100 Ordinary Shares of £10 each in X. Y. Z. Company Lim., valued at £15 per share	1,500	0	0
Mortgage at 5 per cent. on Freehold Property, No. 10 Blank Street, E.C.	2,000	0	0
Interest accrued thereon four months to date of death, less tax	31	13	4
Share in business of A. B. & Co.	3,500	0	0
Sundry Debtors	100	0	0

His liabilities amounted to £50.

The Executor having proved the will, his transactions were as follow :—

1906		£	s	d
Nov. 30.	Received for Household Furniture sold ..	470	0	0
Dec. 15.	Paid Probate duty, costs and expenses ..	360	0	0
„	Paid Funeral expenses ..	15	0	0
„	Paid Liabilities ..	50	0	0
Dec. 30.	Received for 100 Ordinary Shares of X. Y. Z. Company, Lim., sold at 14 ex div.			
1907				
Jan. 2.	Received half-year's interest on Mortgage £2,000, less tax ..	47	10	0
„ 5.	Received for share in business of A. B. & Co..	3,500	0	0
„ 17.	Received from Sundry Debtors, the balance being outstanding ..	50	0	0
„ 25.	Received dividend on 100 shares in X. Y. Z. Company, Lim., for year ended 31st December 1906, at 10 per cent. per annum, less tax at 1s.			

Q. 8.—You are requested to prepare a Revenue Account for an Electric Lighting Company from the following particulars, and to show in the margin the cost per unit in pence of each item.

The number of units sold during the year was 750,000, realising £6,120.

The cost of production, &c., was as follows :—

Generation and Distribution of Electricity ..	£2,100
Rent, Rates, and Taxes ..	550
Management expenses ..	750
Law and Parliamentary charges ..	50
Depreciation ..	50
Special charges ..	75
	<u>£3,575</u>

Q. 9.—The X. Y. Z. Company, Lim., is registered on 1st May 1906.

The Nominal Capital consists of—

10,000 5 per cent. Preference Shares of £5 each.

20,000 Ordinary Shares of £5 each.

In addition there are offered for subscription—

500 $4\frac{1}{2}$ per cent. 1st Mortgage Debentures of £100 each.

The Preference and Ordinary Shares are payable as follows:—

£1 on application.

£1 on allotment.

The Debentures are payable as follows:—

£5 on application.

£95 three months after allotment.

The following applications are received, and on 15th May 1906 the Directors proceed to allot—

9,650 Preference Shares.

18,500 Ordinary Shares.

500 Debentures.

All moneys due on allotment are paid, and you are requested to draft the Journal and other entries necessary to record the transactions in the books of the Company.

Q. 10.—At the close of the financial year the following items in the books of a general merchant have not been posted to the Ledger:—

(1) Purchase Journal—

Total of goods received from creditors.

(2) Returns Journal—

(a) Total of goods returned to creditors.

(b) Total of goods returned by customers.

(3) Sales Journal—

Total of goods sold to customers.

(4) Cash Book—

(a) Discounts allowed.

(b) Discounts received.

How should these be dealt with to close the books?

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES,
AND RECEIVERS.

Q. 1.—By whom, and in what manner, is a Trustee in Bankruptcy appointed?

Q. 2.—What property vests in a Trustee in Bankruptcy, which would not have vested in the bankrupt himself?

Q. 3.—What steps must a Trustee in Bankruptcy take before declaring a dividend, and what special notice must he give before declaring a final dividend?

Q. 4.—State shortly the duties of a Trustee in Bankruptcy in respect of his receipts and payments, and the penalties to which he may be subject if he does not comply with the law.

Q. 5.—Has a Trustee in Bankruptcy any right to require assistance from the bankrupt after he has obtained his discharge, and, if he has, how can this right be enforced?

Q. 6.—State the circumstances (if any) under which a Trustee in Bankruptcy would have any right to property acquired by the bankrupt after his discharge.

Q. 7.—If you were appointed Trustee under a deed of Arrangement, what would you do with regard to registration of the deed in order to make it valid?

If the time during which it should have been registered has been allowed to expire, is there any way by which you can obtain the valid registration of the deed?

Q. 8.—At what time would an appointment by the Court of a Receiver for Debenture-holders be complete:—

(a) Where the Court has ordered security to be given.

(b) Where no order has been made as to security.

Q. 9.—A Creditor in a voluntary liquidation has tendered a proof which the Liquidator has rejected; the Creditor has expressed

dissatisfaction but has not formally appealed against the Liquidator's decision. The same thing has happened in a compulsory liquidation. In each case the Liquidator desires to declare a dividend, and the matter is serious as the proof is for a large amount. What steps in each case should he take to protect himself?

Q. 10.—What are the powers of a Liquidator and how derived, in (1) a compulsory liquidation, and in (2) a voluntary liquidation, to enforce payment of calls? Mention the classes of contributories against whom he can proceed, and describe his rights against each.

It is important to bear in mind that not only are the questions themselves different at each examination, but also the extent of the subjects covered by them are subject to a like variation. Indeed, it may be added that the standard of knowledge implied by these questions is by no means uniform, seeing that papers have been set at some Intermediate Examinations containing questions of greater difficulty than others set at the Final Examination upon a different occasion. In general terms, it may be stated that in order to secure success at the Intermediate Examination the candidate is required to be a skilled bookkeeper, having a thorough knowledge of the general principles of double-entry, and some (but not an exhaustive) acquaintance with its application to the special requirements of different classes of industry. He is also required to possess an intimate acquaintance with the straightforward propositions of the law relating to bankruptcy and the liquidation of companies, together with a slight knowledge of the law relating to receiverships; it is not necessary, however, that his legal knowledge should extend to abstruse and doubtful questions of law. In addition, he will require to be thoroughly acquainted with the general principles of auditing, in so far as these might be acquired by an intelligent clerk who had under his principal the sole control of the audit of one or two simple sets of accounts, and who had assisted a senior in more difficult audits; while it is not unlikely that, in addition, he will be expected to have some theoretical

knowledge of the principles upon which even more advanced audits should be conducted. These principles, however, may be readily gathered from the text books, provided the candidate has already a good practical acquaintance with the groundwork of auditing.

Next important to a careful preparation, such as that which has been indicated above, is that faculty which is generally—but perhaps inaccurately—known as “being lucky at examinations.” The element of chance does certainly come in, to the extent that questions on more or less remote subjects are sometimes asked, which, of course, are naturally more familiar to some candidates than to others, but these are hardly of sufficiently frequent occurrence in the Accountancy subjects to be taken into consideration, although, perhaps, they do apply more in the legal paper. What is so frequently inaccurately described as “luck at examinations” is, indeed, nothing more than clear-headedness, combined with a certain knack of being able to do one’s best at the times when it is most important that the best should be done; and in so far as this faculty can be brought out at an examination it is perfectly legitimate for the examiners to attempt to do so in such a profession as that of an Accountant, where occasions so frequently arise when it is necessary to decide quickly, and, having decided, to convince others that the decision formed is right. In this connection, however, some valuable hints were given to candidates in *The Accountants’ Journal*, which may perhaps be advantageously reproduced here. They are as follow :—

“As we do not propose to do more at the present moment than to offer suggestions of a general nature, there is no occasion for us to distinguish between Intermediate and Final candidates, for, obviously, it is already too late to profitably discuss the actual work that ought to have been prepared, and our comments are more likely to be more useful if we confine them to mere general suggestions as to the best method of the candidate’s ensuring that he presents himself before the examiners still possessed of all the knowledge that he has acquired in the course of his preparation.

“ With regard to the subjects of Accountancy and Auditing, the candidate who hopes to do any good will not be dependent upon his memory merely, but rather upon the fact that he has rendered himself familiar with certain general principles of Accountancy; consequently, there is not very much revision that can be done in this direction. Nevertheless, the candidate will do well to look through a few volumes of *The Accountants' Manual* for stray problems in bookkeeping which have not already presented themselves to him, while a final revision of one of the standard textbooks on auditing will, probably, not be thrown away. With regard to bookkeeping, there are certain forms of account which the candidate would do well to commit to memory if he is not already familiar with them, namely, the statutory forms of Life Assurance, Gas, and Railway Accounts, and those prescribed by authority for building societies and local authorities.

“ The statutory forms of statements of affairs both in bankruptcy and in company liquidation should not be forgotten. They have formed the subject of questions in the past, and the mere fact that they have been allowed to slide for the past year or so is another argument in favour of expecting them again now.

“ The Inland Revenue forms relating to Executorship Accounts should also be mastered, especially by Final candidates, and the rates of estate duties, legacy duties, and succession duties should be committed to memory by all.

“ Coming back to the question of Auditing, there are two questions of importance that have recently arisen, which it is hardly likely that the examiners will altogether disregard. These are the liability of an auditor in respect of dividends paid out of capital, and the question as to whether or not an auditor is in all cases an officer of the company. Upon the former point the decision in the Court of Appeal in *The London and General Bank* case should be most carefully studied, together with the comments that have appeared thereon in our weekly contemporary, and the candidate should endeavour to evolve from this decision some general

“principles as to how far it would apply in other cases not altogether upon the same footing.

“Another question which, perhaps may reasonably be looked for would be one having some bearing upon the profit question, with a view to enquiring as to how far dividend can safely be paid upon profits arrived at without making due reserve for depreciation and for the fact that certain items of so-called profit are not yet realised. In this connection Mr. Dicksee's lecture upon ‘Profits available for Dividend’ will be found of value.

“Reverting to the Bookkeeping papers, it may be remembered that candidates are fairly safe to be asked one or more of the following questions:—

“The difference between double and single entry.

“The advantages of double entry.

“The object of Cost Accounts, accompanied by a specimen of a cost sheet.

“There is also usually at least one question relating particularly to collieries or ironworks.

“Respecting the Law papers, it is to be assumed that the candidate has by this time already made himself generally acquainted with the principles of the law which he is required to know, and further, that he will have prepared notes which in the aggregate will represent an epitome of the leading points upon which questions are likely to be asked. It is a good plan to commit these notes to memory, provided the general principles underlying them are properly understood, but it is particularly desirable to avoid reproducing in an examination paper the actual words which the candidate may have transcribed from his text-book, for nothing is more distasteful to the examiner than the impression that the student has got up his law ‘parrot fashion.’ With this proviso, however, it is a good plan to make out a further set of notes relating to the more important points that are frequently asked that to some extent tax the actual memory, as, for example, the different kinds of acts of bankruptcy, the duties of a trustee with

“and without the sanction of the committee of inspection, &c.
“These the candidate may advantageously carry about with him so
“that he may refer to them at odd minutes, and in particular,
“take a final look at them before entering the examination room.

“It may, perhaps, be said that this recommendation is no better
“than an encouragement to mere cramming, but on the other hand,
“there are many otherwise excellent accountants who would find
“it simply impossible to retain so much detail in the memory for
“any length of time.

“At the examination itself the candidate should make a point of
“running through all the questions before attempting to answer
“any; not necessarily perusing them in detail, but with a view to
“seeing the general lines upon which they are framed. Those
“which tax the memory should at once be dealt with while the
“memory on the points included is still fresh; but, perhaps, the
“most important rule of all is for the candidate to get down the
“answers to those questions upon which he feels fairly safe before
“he attempts those concerning which he is more doubtful.

“In the two Bookkeeping papers time is of paramount import-
“ance, and this rule is therefore more than ever valuable; but
“further, it is important that when the candidate finds it impossible
“to really finish the paper in the allotted time, he should get down
“as much as possible that hinges upon general principles, so that
“if he is obliged to leave anything undone it may be something in
“the nature of detail; but, on the other hand, he must guard
“against only half answering each question. Questions which do
“not contain any mass of detail should be properly and thoroughly
“answered, all that is meant being that, if a question involves, say,
“calculations of interest, the question itself may be answered with
“the actual interest in blank, if there is no time to make the calcu-
“lation; or—to put it more generally still—when a question
“involves both bookkeeping and arithmetic, it will probably be

“better to do the bookkeeping first and leave the arithmetic, if there is no time to finish it.

“Much of the complaint that has been raised about the impossibility of finishing the Bookkeeping papers is, however, due to the fact that many candidates have not practised themselves in answering questions against time. This is a point which every coach knows the importance of, and should this be the case of any of our readers it is not even yet too late for them to look for some assistance upon this point; but, at the same time, they must not expect wonders from even the best coaches with so little time at his disposal.

“Of course, the great thing at these, and all other, examinations is for the candidate to keep his head, and this he is most likely to do by feeling confident that he is fairly well prepared before he presents himself for examination. Nevertheless, many candidates make the mistake of beginning their work in too much of a hurry. It is well to start somewhat deliberately, for the pace can easily be increased as the candidate goes on, and he will find that the assurance that he has answered, say, three or four questions satisfactorily before half the allotted time is over will have the effect of greatly increasing the confidence—and, consequently, the clearness of mind—with which he is able to approach the remainder.”

The results of the Intermediate Examination are made known at the same time as the results of the other examinations of the Institute, that is to say, under ordinary circumstances the announcements are sent to the candidates by post on the evening following the second Wednesday in January and July of each year.

It will doubtless be of interest, as affording some idea of the difficulty of the test imposed at this examination, if we conclude this chapter with the following table, showing the number of passes and failures at each examination since June 1883 (when the first

Intermediate Examination was held), together with the percentage of failures upon the total number of candidates in each case :—

DATE OF EXAMINATION.			NUMBER OF CANDIDATES.			Percentage of
			Total.	Passed.	Failed.	Failures.
1883	June	..	12	10	2	16·6
	December	..	23	22	1	4·3
1884	June	..	53	36	17	32·0
	December	..	67	57	10	14·9
1885	June	..	32	27	5	15·6
	December	..	17	16	1	5·8
1886	June	..	34	27	7	20·3
	December	..	25	22	3	12·0
1887	June	..	32	19	13	40·6
	December	..	38	32	6	15·9
1888	June	..	46	42	4	8·7
	December	..	57	41	16	28·0
1889	June	..	58	47	11	18·9
	December	..	54	34	20	37·0
1890	June	..	65	56	9	13·8
	December	..	55	47	8	14·5
1891	June	..	57	33	24	42·1
	December	..	93	81	12	12·9
1892	June	..	64	50	14	21·8
	December	..	74	62	12	16·2
1893	June	..	74	56	18	24·3
	December	..	91	67	24	26·3
1894	June	..	90	61	29	31·8
	December	..	95	62	33	34·7
1895	June	..	100	85	15	15·0
	December	..	94	76	18	19·1
1896	June	..	97	73	24	24·7
	December	..	110	73	37	34·5
1897	June	..	112	91	21	18·7
	December	..	92	69	23	25·0
1898	June	..	126	71	55	43·7
	December	..	145	110	35	24·1
1899	June	..	138	113	25	18·1
	December	..	122	74	48	39·3
1900	June	..	165	107	58	35·1

THE INTERMEDIATE EXAMINATION.

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DATE OF EXAMINATION.			NUMBER OF CANDIDATES.		Percentage of	
			Total.	Passed.	Failed.	Failures.
	December	..	168	110	53	32·5
1901	June	..	184	139	45	24·4
	December	..	175	127	48	27·4
1902	June	..	170	128	42	24·7
	December	..	181	117	64	35·3
1903	June	..	222	139	83	37·4
	December	..	173	117	56	32·4
1904	June	..	187	109	78	41·7
	December	..	191	131	60	31·9
1905	May	..	198	120	78	39·4
	November	..	156	97	59	38·0
1906	May	..	186	120	66	35·5
	November	..	180	122	58	32·3
1907	May	..	180	115	65	36·1

CHAPTER VI.

THE LAST HALF OF ARTICLES.

THE Intermediate Examination being safely passed, there will remain a period of something under two-and-a-half years (or, in the case of graduates, under eighteen months) before the student's articles terminate, and it is during this period that he will receive the most valuable part of his training. The Council has power to allow articled clerks to present themselves for the Final Examination at any date not more than three months *previous* to the termination of their articles; but, in the great majority of cases, this power is inoperative by reason of the fact that at least two years must have elapsed between the passing of the Intermediate Examination and the date of the Final Examination at which the student presents himself. It may therefore be taken that for practical purposes there will be the above-named interval between these two examinations, except in cases where the student has failed to pass his Intermediate at the first attempt. The power is sometimes convenient, however, when articles expire, say in June or in December, and the candidate would—but for these provisions—be obliged to wait until the following November or May before presenting himself for his Final Examination.

The actual work which will occupy the student during the latter half of his articles is of course not fundamentally different from that which engaged his attention at an earlier stage, but as a consequence of the experience which he has already gained it will have become possible for his principals to utilise his services more fully, and to thus afford him a greatly enlarged field from which

to gain experience. In the matter of audits, for instance, it is not improbable that he will be given charge of many that do not present unusual difficulties; and although no doubt final approval of the accounts will still be retained by the principals themselves, he will nevertheless have increased opportunities of seeing the work through to the finish, and of observing which of the points that he has noted are considered of sufficient importance to be included in a report, and how the various queries raised are finally disposed of before the audit is completed.

With regard to bankruptcy matters also an increased amount of responsibility will no doubt be accorded to him; and, if the student shows a reasonable amount of aptitude, it is very likely that in this latter part of the articles he will have opportunities of acquiring a considerable insight, not only into the routine work in connection with bankruptcies and insolvencies, but also into those higher branches of this department which involve an investigation into the position of affairs generally, with a view to ascertaining the extent of the estate and the best means of bringing it in.

The writing-up of books in arrear, or the keeping of books—whether Executorship or otherwise—which happen to be kept in the office, will also very likely devolve upon him at this period; and it may even happen—particularly if his articles were commenced somewhat late, and thus his youth is therefore not an objection—that the student may be appointed the secretary of a company whose registered offices are at his principal's place of business.

It is quite conceivable that the student may be nominally left in charge of any such matters as the foregoing, and the responsibility thus imposed upon him will undoubtedly be in itself a valuable education as teaching him confidence and self-reliance, apart from the opportunity which it will afford him, at the outset of his career, of treating on a business basis with strangers, who may not perhaps in all cases be as scrupulous as might be desired. In addition it

is probable that, if as a result of his past three years' study the student has shown a disposition to make the best use of such opportunities as may be afforded to him, he will at this period at least occasionally be associated more closely with his principal in the most responsible work which may devolve upon the latter, such as the investigations which are necessary in connection with the inception of new companies, or on behalf of the shareholders of companies when the position of the latter is unsatisfactory, or in connection with receiverships, &c.; and for his own sake it is particularly desirable that the student should leave no stone unturned to arrive at the bottom of all the matters which may thus come before him, so that he may derive the fullest possible benefit from each matter that arises.

An increased opportunity of gaining experience will very likely be afforded to the student at this period of his career by his being deputed to take charge of an undertaking, on behalf of his principal acting as receiver, liquidator, or trustee in bankruptcy. Very probably this will entail a temporary residence in some locality more or less remote from the principal's office; and it will be the student's duty not only to nominally represent his principal, but also to assume command of the undertaking which he is placed in possession of, and to see that everything which goes on is not only legally in accordance with what ought to be taking place in view of all the circumstances, but also that nothing transpires (so far as it is in his power to prevent it) which does not accord with the interests of his principal. The proper discharge of such duties as these not only requires a somewhat intimate acquaintance with the law relating to the particular class of business, but also a very considerable amount of personal aptitude upon the part of the student; for, in the nature of things, it cannot be supposed that he has any detailed acquaintance with the particular class of business that is being transacted. It is, however, very important, not only in the interests of his principal, but from the point of view of the student's ultimate success in

Accountancy, that he should spare no pains in the discharge of the responsibilities which will thus devolve upon him. The opportunities which are afforded by such matters as these are such as he should on no account neglect, inasmuch as they naturally do not as a rule occur very frequently; while, on the other hand, it is precisely in such matters as this that the largest scale of remuneration is allowed to Accountants, provided only their duties have been satisfactorily performed, and it is therefore particularly in the interest of the student that he should acquire a facility for dealing with such matters during the period of his articles so that he may be fully equipped to discharge similar duties at a later stage of his career.

On the other hand, and without wishing to unduly discourage aspirants to Accountancy, it may be stated that it is just in respect of such matters as this that the most serious and the most personal risks are incurred by Accountants. If the student has failed to make use of his chances, or has not been afforded opportunities of acquiring an experience in connection with such matters, it is almost inevitable that when at a later stage he undertakes the position of receiver, liquidator, or trustee in bankruptcy, he will, either by omission or commission, render himself liable to some legal proceedings directed against him personally, which, under the most favourable circumstances, will have the effect of absorbing, in the costs necessarily incurred for his defence, the whole of the profit which he may have derived out of the particular matter in question; and the peculiar feature in connection with such matters is that the mere fact that the Accountant has throughout endeavoured to do his duty will have no bearing whatever upon his ultimate liability, still less will it have any effect upon the amount which he will be called upon to pay for costs, even in the event of his being successful. Those who aspire to become Accountants would do well to remember at the outset that it is the nature of their occupation that they should be continually placed in a position in which they are liable to become defendants in a

action, and that, even if they are successful, it is inevitable that the amount of costs which they are able to obtain from the other side should be considerably less than the amount which they personally have been called upon to expend. It is, therefore, of the greatest possible importance that the student, at this comparatively early stage in his career, should fully appreciate the vast importance of his responsibilities; for he may rest assured that, unless the necessary caution in this respect becomes a matter of *habit* with him, he will be quite unable to assume it at a later stage, when the consequences of his indiscretion fall upon him personally instead of on his principals.

For the rest, it may be stated that the period of leisure which may remain to the student between his Intermediate and his Final Examinations will be none too large for him to devote the utmost of the time available to preparation for the latter examination. Assuming that he has any ability at all, and that his principal has such a business as to afford him a fair opportunity for acquiring experience, it is only reasonable to suppose that his time will now be very fully occupied; and by the term "fully occupied" it may be taken that not merely his office hours should be devoted to business, but also (to a great extent) that his leisure moments should be applied to considering the manner in which the work devolving upon him can be best achieved. It is therefore particularly important that the actual preparation for the Final Examination should not be delayed too long; but this brings us to the subject of the next chapter, which deals with the amount of preparation required from the student before he can safely present himself for his Final Examination.

CHAPTER VII.

THE FINAL EXAMINATION.

THE Final Examination prescribed by the Institute consists of six papers on the following subjects, viz. :—

- Bookkeeping and Accounts (including Partnership Accounts).
- Bookkeeping and Accounts (including Executorship Accounts).
- Auditing.
- The Rights and Duties of Liquidators, Trustees, and Receivers.
- Bankruptcy and Company Law.
- Mercantile Law and Arbitrations and Awards.

These papers occupy three days, usually the Tuesday, Wednesday, and Thursday in the last weeks of May and November. The time allowed for the papers on the two first-named subjects is three hours, the others being each of two hours' duration. The examination fee is the same as for the Intermediate—namely, £2 2s., which must be paid when the student gives formal notice to the Secretary of his intention to present himself for examination. This notice must be made upon the prescribed form and forwarded to the offices of the Institute at least thirty days before the date of the examination, which date is always advertised some months ahead both in *The Accountant* and *The Accountants' Journal*.

It will be seen that the first four subjects are identical with those prescribed for the Intermediate Examination, but, of course, the questions set are of a more searching character, and require a closer and more practical acquaintance than is necessary for the Intermediate.

With regard to text-books which the student may be recommended to study, in addition to those mentioned on page 42, the following will be found of considerable value :—

*Dicksee's *Advanced Accounting*, price 21s.

Murray & Carter's *Guide to Income Tax Practice*, price 10s.

Hawkin's *Cost Accounts*, price 5s.

Fox's *Company-Secretary*, price £1.

*Kerr's *Receivers*, price 10s.

Ringwood's *Principles of Bankruptcy*, price 10s. 6d.

*Buckley's *Companies Acts*, price £1 14s.

*Steven's *Mercantile Law*, price 10s. 6d.

Russell's *Arbitrations and Awards*, price £1 10s.

Those marked with an asterisk are practically indispensable, but a study of all is recommended to those candidates who seek to be "placed" in the Pass list. A systematic study of the current issues of *The Accountant* and *The Accountants' Journal* will also be found of great value.

In order to give a rough idea of the standard set for this Examination, the questions which were actually set in May 1907 are reproduced in these pages. They are as follow:—

BOOKKEEPING AND ACCOUNTS.

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—What is a Bill of Lading, and what are its uses?

Q. 2.—A Brewery Company's Balance Sheet was as follows:—

<i>Capital and Liabilities.</i>		<i>Assets.</i>	
15,000 Ordinary Shares, £10 each, fully paid	£150,000	Goodwill and Ingoings ..	£180,600
20,000 7% Preference Shares, £10 each, fully paid ..	200,000	Freehold Properties ..	1,108,550
21,782 5% Preference Shares, £10 each, fully paid ..	217,320	Leasehold ditto ..	41,200
5½% Debenture Stock ..	150,000	Short Leaseholds ..	5,250
4% do. do. ..	420,000	Plant and Utensils ..	6,100
Mortgage Creditors ..	268,700	Horses and Carts, &c. ..	11,650
Trade and Loan Creditors ..	117,000	Bottling Plant ..	450
Unpaid Dividends and Interest	200	Furniture and Fittings ..	13,000
		Debtors	17,000
		Prepaid Rents, Rates, Licences, Insurance, and Compensation Charges ..	7,000
		Stock	36,000
		Cash in hand and at Bankers	12,000
		Capital Suspense for renovation of Houses ..	46,420
		Profit and Loss	38,000
	<hr/> £1,518,220 <hr/>		<hr/> £1,518,220 <hr/>

An action against certain members of the board was in progress, which ultimately resulted in a cash return by them of £11,000, and a revaluation of the properties was obtained, and it was agreed (with the sanction of the Court) that the assets should be reduced by £203,020, to include a necessary expenditure to be incurred upon renovation of houses estimated at £38,000, such reduction being as follows :—

Freehold Property	..	..	..	£67,600
Plant and Utensils	..	..	..	3,000
Horses and Carts, &c.	..	..	..	4,000
Furniture and Fittings	..	..	..	6,000
Capital Suspense	..	..	..	46,420
Future Expenditure on renovation of Houses	..	..	..	38,000
Profit and Loss—Balance	..	..	..	38,000

The various classes of shareholders made considerable sacrifices, the ordinary shareholders reducing their share denomination from £10 to £3, the 7 per cent. preference shareholders reducing their rate of dividend to $5\frac{1}{2}$ per cent., and the 5 per cent. shareholders reducing their share denomination from £10 to £6, both of the latter classes, however, to rank for a non-cumulative further dividend of $1\frac{1}{2}$ per cent. whenever a dividend of 6 per cent. was paid to the ordinary shareholders.

Make the Journal entries recording the above transactions, and draw up the Balance Sheet thereafter.

Q. 3.—A. and B. are equal partners, and their Balance Sheet at a certain date is as follows :—

Creditors	..	..	..	£2,000	Machinery and Plant	..	£1,250
A.'s Capital	..	..	..	3,000	Horses and Carts	..	250
B.'s do.	..	..	..	3,000	Furniture and Fittings	..	150
					Stock	..	3,650
					Debtors	..	2,300
					Bank	..	300
					Cash	..	100
				<u>£8,000</u>			<u>£8,000</u>

They decide to admit C. and D., the former to provide £3,000 as his capital, and the latter, in consideration of his having a personal business connection, only to bring in £2,000, but his Capital Account to be credited with the same amount as C.'s.

C. and D. only accept A. and B.'s Balance Sheet subject to the following alterations, which are agreed to—

Machinery and Plant to be taken at	...	£1,100
Horses and Carts	„ „	200
Stock	„ „	3,300
Debtors to be subject to a 5 per cent. discount.		
Créditors	„ „ 3 „ „	

Adjust the accounts and prepare commencing Balance Sheet of the new firm.

Q. 4.—The Woodside Company had a called-up capital of £100,000 shares of £1 each. All shareholders had paid their calls with the exception of a holder of 100 shares, who had only paid 10s. a share.

The Directors forfeited the latter shares, and later on reissued them to a shareholder, who paid the full 20s. on them.

What bookkeeping entries are needed, and how will the transactions appear in the Company's Balance Sheet?

Q. 5.—A., B., and C. carried on a business, sharing results equally. They owned their own works, which were assessed for property tax at £800.

Their books showed the following profits:—

Year 1903	...	...	...	£2,600
„ 1904	...	...	...	3,000
„ 1905	...	...	...	2,500

in arriving at which, Salaries of partners £900, Interest on Capital.—A. on £15,000, B. on £7,000, and C. on £5,000 at 5 per cent., Bank Interest £250, Depreciation of Buildings £400, and of Machinery £750 ($7\frac{1}{2}$ per cent.) Income Tax paid £150, and Property Tax £33, were charged, and Dividends from investments

£95 were credited, each year, and £50 loss on sale of shares was charged in 1905.

A.'s life was insured for £1,000, upon which he paid a premium of £30 a year.

Make up the account for Income Tax 1906-7, and apportion to each partner the tax payable.

Q. 6.—A. and B. are partners, sharing equally. They agree to dissolve partnership on 31st December 1906, A. to retire from the concern and to have, in addition to his Capital and Profits, one-half of the goodwill agreed as one year's purchase upon an average of the past three years' net profits, the two preceding years' net profits being £11,000 and £10,500 respectively.

The following is the Trial Balance of their books on the above date :—

			<i>Dr.</i>	<i>Cr.</i>
Stock, 1st January	..	..	£8,300	
Goods Purchased ..	..	..	49,000	
„ Sold ..	..	..		62,600
Discount on Sales	..	..	1,500	
„ „ Purchases	..	..		1,200
Rent, Rates, and Taxes	..	..	1,500	
Salaries and Wages	..	..	1,800	
Incidental Expenses	..	..	300	
Stationery and Postages	..	..	100	
Bank Charges ..	..	..	20	
Fire Insurance ..	..	..	20	
Bills Receivable ..	..	..	2,640	
„ Payable ..	..	..		1,700
Creditors ..	..	..		2,750
Debtors ..	..	..	8,250	
Bank ..	..	..	1,785	
Cash in hand ..	..	..	15	
Bad Debts ..	..	..	220	
A.'s Capital, 1st January	..	..		6,500
B.'s Capital, 1st January	..	..		3,900
A.'s Drawings ..	..	..	1,800	
B.'s Drawings ..	..	..	1,400	
			<u>£78,650</u>	<u>£78,650</u>

The stock at 31st December was £7,500.

Allow £200 as discount off debtors and £100 discount off creditors, charge interest at 5 per cent. upon capital and drawings the latter being by equal instalments at the end of each quarter, and prepare Trading Account, Profit and Loss Account, Partners' Capital Accounts, and Balance Sheet.

Q. 7.—A colliery proprietor's books showed profits in 1901 £2,000, 1902 £1,500, 1903 £8,000, 1904 £6,500, and 1905 £3,000.

In arriving at these results, £500 for his services, £800 for Interest on Capital, £250 for Income Tax paid, £50 for Charities, £750 for Mine Rents or Royalties, £80 Contribution to the Colliery Owners' Defence Association, £350 for Depreciation of Plant, and £200 for Exhaustion of the Freehold, had been charged each year, and in 1902 a payment of £35 for legal expenses in connection with the purchase of freehold.

Make up the Income Tax Account for 1906-7.

Q. 8.—The following is the Trial Balance of the Manchester Branch of A. Chester & Co., Newcastle, on 31st December 1905 :—

Head Office—		Creditors	£112,000
Goods Account	£140,000	Employees' Deposits	50,000
Interest Account	2,650	Head Office—Cash Account..	500,000
Plant Replacements	6,500	Ditto Goods Account	5,000
Land Purchased	1,000	Prepayments	195,000
Expended on Buildings	8,500	Profits for the year	267,450
Ditto Plant.. ..	35,000		
Ditto Loose Tools.. ..	500		
Finished Work and Work			
in Progress	620,000		
Materials in Store	200,000		
Debtors	110,000		
Cash at Bank	10,000		
„ in hand	300		
	<u>£1,129,450</u>		<u>£1,129,450</u>

Debtors include £5,000 goods in the hands of agents, which have been invoiced with 33½ per cent. on the cost. No depreciation of buildings and machinery has been allowed as it is dealt with by head office, but it is decided to provide for depreciation of stocks

and finished work and work-in-progress by reserving 10 per cent. thereon, and $2\frac{1}{2}$ per cent. has to be provided for discount off debtors and creditors.

Prepare the Balance Sheet after making all necessary adjustments and transfers to head office.

Q. 9.—A bank, having a capital of £1,000,000 in 50,000 shares of £20 each (upon which £3 10s. per share was called), and reserve of £150,000, and whose shares stood in the market at £12, was taken over by a bank having a capital of £3,000,000 in 50,000 shares of £60 each (upon which £10 per share was called), and a reserve of £400,000, and whose shares stood in the market at £37, on the terms that one share in the purchasing company was given for three shares in the purchased company.

What are the entries to be made in the purchasing company's books to give effect to the same, and how will its share capital and reserve then stand ?

Q. 10.—What is a Consignment Account ? At what price should goods be charged to it ? What are the entries to be made, and in what books, to record the account from its opening to its completion ?

Give a specimen account.

AUDITING.

Q. 1.—What do you understand by the item " Dividends Outstanding " on the debtor side of a Company's Balance Sheet, and how would you satisfy yourself as to the amount being correct ?

Q. 2.—How would you ascertain the correctness of the following receipts :—

- (a) Sale of surplus lands of a Railway Company.
- (b) Amount realised by sale of temporary investments.
- (c) Dividends received on ordinary shares of Companies ?

Q. 3.—A wholesale house employs collectors, whose business it is to call on customers of the house within a radius of ten miles from their office and collect outstanding accounts. You are asked to design a system to prevent speculation on their part. Indicate the nature of the system you would advocate.

Q. 4.—Set out a scheme for the audit of the Accounts of a Trading Company carrying on business at various branches in South Africa, with a head office in London. Purchases are made by the head office and the goods sent to the branches, but no trade is transacted in England.

Q. 5.—To what extent may credit be taken in a Balance Sheet for money expended on account of the purchase of Plant, Machinery, Furniture, &c., under an agreement by which, after a sum has been paid annually for a certain number of years, the plant, &c., becomes the absolute property of the hirer?

Q. 6.—The following statements of a Mining Company are placed before you for audit. How would you redraw them so as to enable you to certify them without comment so far as their form of setting-out is concerned:—

TRADING ACCOUNT, 1st January to 31st December 1906.

		£			
To Stock of Ore in hand	..	5,618	By Balance from last year	..	2,118
„ Stores in hand	..	742	„ Sales	..	116,471
„ Wages	..	71,335	„ Dividends on Shares in		
„ Stores Purchased	..	1,868	Mining Companies	..	1,228
„ Preliminary Expenses written			„ Stock of Ore in hand	..	6,124
off ..	..	400	„ Stores in hand	..	861
Rent, Rates, Taxes, &c.	..	1,240			
„ Balance, being Gross Profit		46,099			
		<u>£126,802</u>			<u>£126,802</u>

PROFIT AND LOSS ACCOUNT, 1st January to 31st December 1906.

	£		£
To Directors' Fees	1,500	By Balance brought from	
„ Salaries	3,628	Trading Account ..	46,099
„ Office Expenses	2,732	„ Transfer Fees	23
„ Interest on Mortgages ..	500		
„ Royalties	2,434		
„ Interest on Debentures ..	1,000		
„ Depreciation	1,300		
„ Allowance for Bad Debts..	1,700		
„ Balance, being Net Profit carried to Balance Sheet	31,328		
	<u>£46,122</u>		<u>£46,122</u>

BALANCE SHEET, 31st December 1906.

	£		£
To Capital	60,000	By Debtors	16,836
„ Mortgages	10,000	„ Balance at Bankers £4,274	
„ Debentures	20,000	Less Interest and	
„ Depreciation of Mines, &c., and amount written-off		Dividend to	
Preliminary Expenses..	1,700	Shareholders	
„ Creditors	2,004	outstanding ..	124
„ Profit and Loss Account, Balance	31,328		
	<u>£125,032</u>	„ Cash in hand	4,150
		„ Stock in Minerals.. ..	6,124
		„ Stores in hand	861
		„ Office Furniture	279
		„ Purchase of Mines, &c. ..	95,472
		„ Preliminary Expenses ..	1,200
			<u>£125,032</u>

Q. 7.—In auditing the Accounts of a Testator's estate, how would you ascertain the correct amount taken credit for in respect of income derived from :—

- (a) Farms let on lease.
- (b) Manorial rights.
- (c) Interest on Debenture Stocks in Home Railway Companies.
- (d) Cash placed on deposit with the Bankers of the Trustees.

Q. 8.—In auditing the Accounts of a Limited Company you find they have been compiled so as to include the effect of the following Journal entries :—

St. James's Mansions	Dr.	£10,000	
To Profit and Loss Account ..			£10,000
For the difference between the cost of erection of these flats to date, and the valuation of Messrs. Marks & Co.			
Investments.. .. .	Dr.	5,000	
To Interest and Dividends Account ..			5,000
For proportion to date of estimated value of dividends expected to be declared on sundry holdings in Shares of Joint Stock Companies.			
Investments.. .. .	Dr.	7,000	
To Interest and Dividends Account ..			7,000
For proportion to date of interest on sundry holdings in Debenture Stock of English Railway Companies.			
Interest and Dividends Account.. ..	Dr.	12,000	
To Profit and Loss Account ..			12,000
For above amounts transferred.			

Would you raise any objection to such Accounts? If so, state clearly the nature of your objection.

Q. 9.—In auditing the Profit and Loss Account and Balance Sheet to be placed before the first annual general meeting of the shareholders of a Company registered under the Companies Acts, 1862 to 1900, you find that on the credit side of the Balance Sheet there has been included under the heading of "Preliminary Expenses" four-fifths of the total expenditure connected with the formation of the Company, including fees for registration, law costs, the fees of Chartered Accountants in connection with their report set out in the prospectus, printing the prospectus and articles of association, postage of prospectuses and other circulars, commission on placing shares, commission to persons in consideration of their

agreeing to subscribe for shares, and brokerage to stockbrokers for placing shares. One-fifth of the "Preliminary Expenses" has been charged against the Profit and Loss Account. State fully the steps you would take, as auditor, in connection with this method of treating the above expenditure.

Q. 10.—In auditing the Accounts of a Solicitor, how would you recommend him to deal with the following items before settling his Income and Expenditure Account and Balance Sheet :—

- (a) Costs in respect of a law suit in progress.
- (b) Costs in respect of completed matters but where the bills have not been rendered to the client.
- (c) Fees of counsel paid on account of actions in progress.
- (d) Payments by clients on account of matters uncompleted?

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS.)

Q. 1.—If you are engaged to prepare an account for probate, what documents would you require to see to enable you to ascertain the face value of the securities to which the Testator was entitled, and what further documents or information would you require to enable you to estimate their approximate value as investments to hold, viz. :—

- (a) Shares in Limited Liability Companies.
- (b) Debentures in Limited Liability Companies.
- (c) Mortgages on House Property?

Q. 2.—A partner in a brewery died. Under the Articles of Partnership the Goodwill had to be valued, and you are engaged to advise as to its value. What information would you require, assuming the surviving partners will carry on the business?

Q. 3.—The following are the Balance Sheets of A. Company, Lim., and B. Company, Lim., carrying on similar businesses?—

	A.	B.		A.	B.
Ordinary Shares	£100,000	£200,000	Property, &c.	£250,000	£200,000
5 % Preference Shares ..	100,000	Nil.	Goodwill	20,000	50,000
4 % Debentures	100,000	100,000	Stock	18,000	22,000
Interest thereon to date ..	1,000	1,000	Book Debts ..	30,000	40,000
Creditors ..	17,000	7,000	Investments at cost (present value 25 % less)	5,000	25,000
General Reserve Account ..	10,000	20,000	Cash	19,000	5,000
Reserve for Doubtful Debts and discounts	1,000	1,000			
Profit and Loss	13,000	13,000			
	<u>£342,000</u>	<u>£342,000</u>		<u>£342,000</u>	<u>£342,000</u>

Assuming that the Directors desired you to advise them as to the dividends to be declared, what views would you express?

Q. 4.—John Jones died on 31st March 1907 without paying the income tax due 1st January 1907.

What amount should you, as Executor, pay on the following private account for the year up to the date of his decease :—

Premiums on Life Assurance ..	£300	Dividends from Companies from which tax has been deducted	£1,000
Interest on Loan after deducting tax	200	Interest on Bank Deposits ..	250
Paid off Loan	2,500	Rents upon which tax has been allowed under Schedule A. ..	500
House Rent	150	Interest on Mortgages from which tax has been deducted	800
Living expenses	1,500	Salary as Managing Director of Companies	2,000
Charities	100	Share of profits on a joint venture in a shipment of goods to Siberia	1,000
Invested	200		
Losses on speculations on Stock Exchange	600		
	<u>£5,550</u>		<u>£5,550</u>

Q. 5.—The Directors of a Limited Company engage you to draft their Profit and Loss Account and Balance Sheet to be submitted to the Auditors and subsequently to the Annual General Meeting

of Shareholders. The reserve for doubtful debts and discount should be brought up to 10 per cent. The following is the Trial Balance :—

<i>Dr.</i>		<i>Cr.</i>	
Goodwill Account	£40,000	Gross Profit (Trading Account)	£25,000
Rents payable	1,500	Rents receivable	3,000
Debentures in X. Company, Lim., proportion not subscribed allotted to underwriters	20,000	Ordinary Share Capital	200,000
Expenses connected with the underwriting of ditto	1,000	4 % Debentures	100,000
Cash at Bank	8,000	Interest half-year thereon	2,000
Property, Plant, &c.	250,000	Commission for underwriting £30,000 X. Company, Lim., Debentures	6,000
Book Debts	9,000	Creditors	1,200
Bills receivable	3,000	Bills payable	3,000
Income Tax	500	Profit and Loss Account, 1905	930
Interest on Loans and Debentures	5,000	Reserve Account	5,000
Directors and Auditors	1,105	Reserve for doubtful debts and discounts	300
Depreciation of Plant	5,000	Deposits	700
Petty Cash in hand	25	Loan	20,000
Law costs and Special expenses	3,000		
Stock	20,000		
	<u>£367,130</u>		<u>£367,130</u>

N.B.—Bills Receivable discounted .. £15,000

Other Contingent Liabilities .. 5,000

Q. 6.—On an amalgamation or sale of a business, what points would you consider in estimating the value of the trade book debts?

Q. 7.—Acting for the Executors of a deceased partner in an Auctioneer's business, how would you base the claim for his share in respect of pending business :—

- (a) Properties advertised for sale at auction.
- (b) Valuation for arbitration.
- (c) Retaining fee for giving evidence, if required, during the next six months ?

Q. 8.—An Estate consists of £4,000 4 per cent. Debenture Stock, 3,000 8 per cent. Deferred Shares of £10 each, and 2,000 5 per cent.

Preference Shares of £5 each, in Rubber, Lim. All securities were bought at par. Interest and Dividends are paid on 30th June and 31st December for the half-years ending those dates. Income tax at 1s.

A right to subscribe for additional Deferred Shares in Rubber, Lim., was sold during 1906 by the Trustee of the Estate for £90, out of which he paid £10 commission to the broker who arranged the transaction.

Show estate Capital Account, Cash Account, and Revenue Account for the year ended 31st December 1906.

Q. 9.—The following is the Trial Balance of an Investment Company as at 31st December 1906 :—

	Dr.	Cr
Share Capital 100,000 shares of £1 each		£100,000
Investments at cost	£98,260	
Cash	3,240	
Interest and Dividends		4,892
Office expenses, Directors' fees, Salaries, &c. ..	598	
Interest accrued	2,794	
	<u>£104,892</u>	<u>£104,892</u>

The valuation of the Investments at 31st December 1906, according to market prices, is found to be £92,880.

Draw a Profit and Loss Account and Balance Sheet as at 31st December 1906 showing whether a dividend on the Share Capital has or has not been earned, giving any explanations as regards your answer you may think necessary.

Q. 10.—The affairs of a Restaurant Proprietor at 31st December 1905 were shown by the following figures :—

Freehold £2,000, Sundry Debtors £25, Cash £140, Stock of Provisions £30, Stock of Wines and Spirits £120, Sundry Creditors £65.

For the year ended 31st December 1906 a summary of his Cash Book showed the following total receipts :—

From Sundry Debtors as at 31st December 1905 £25, on account of business done for 1906 in Wines and Spirits £350, on account of business done for 1906 in Provisions £260. His total payments had been :—To Creditors as at 31st December 1905 £65, on account of Wines and Spirits purchases for 1906 £190, on account of Provisions purchases for 1906 £200, on account of Expenses for 1906 £50. He owed at 31st December 1906 £45 for Wines and Spirits, £10 for Provisions, £30 for Expenses. There was owing to him at 31st December 1906 £15 for Wines and Spirits, £10 for Provisions. His stocks at 31st December 1906 were—Wines and Spirits £115 and Provisions £10.

Show all Accounts for the year ended 31st December 1906, including Wines and Spirits Trading Account, Provisions Trading Account, General Profit and Loss Account, and Balance Sheet as at 31st December 1906.

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—What rights would a Trustee in Bankruptcy have, and what rights would a vendor or purchaser have, with respect to the following transactions :—

- (a) A contract made by the bankrupt before the date of the receiving order for the purchase of land for £5,000 on which he has paid the vendor £500 as a deposit.
- (b) A contract made by the bankrupt before the date of the receiving order for the sale of land for £10,000, on which he has received £1,000 as a deposit?

Q. 2.—What are the exceptions to the rule that on the bankruptcy of a firm the joint creditors cannot prove in competition with the separate creditors against the separate estates, and the

separate creditors cannot prove in competition with the joint creditors against the joint estate?

Q. 3.—Would the trustee of a bankrupt, part of whose estate consisted of leasehold houses, be entitled to remove fixtures therefrom, and then to disclaim the lease?

Q. 4.—A winding up order having been made against a limited Company on 30th June 1905, a creditor immediately put in a proof for £100 for an amount not payable by the Company until 1st July 1906. A dividend of 10s. in the £ was declared payable on 1st January 1906. Would you, as liquidator, admit the proof? Describe in detail how you would deal with it.

Q. 5.—What right of resignation has a liquidator under a compulsory liquidation, and what steps should he take to make his resignation effective? Would his proceedings differ in a voluntary liquidation? If so, state in what way.

Q. 6.—The Directors of a limited Company, having guaranteed an overdraft at its bankers, made a call on the shares within a month of the liquidation of the Company, a portion of which they paid up immediately on their own shares, and applied the moneys thus received by the Company in paying off the bank overdraft. They then set off the balance of the call due on their shares against Directors' fees due to themselves. Would you, as the liquidator of the Company, be satisfied with these transactions? If not, why not?

Q. 7.—What control does the Companies (Winding-up) Act, 1890, give to the Board of Trade over liquidators of Companies which are being wound up by the Court?

Q. 8.—What power of dealing with the claims of creditors is given to liquidators in voluntary liquidations by the Companies Rules, 1903, which they did not formerly have?

Q. 9.—When and for what reasons would the appointment of a receiver made by the Court be terminated?

Q. 10.—What rights (if any) has a Trustee in Bankruptcy to the following, and how could he exercise his rights (if any) :—

1. Stipend of a beneficed clergyman.
2. Pay of an officer in the army or navy or a civil servant.
3. Pension or half-pay of an officer in the army or navy or a civil servant.
4. Salary of a bankrupt who has obtained a situation.

BANKRUPTCY AND COMPANY LAW.

Q. 1.—What special matters must be stated in a petition presented by a secured creditor, and how is his position affected by the contents of his petition?

Q. 2.—Under what circumstances, if any, can a creditor, who has assented to an assignment for the benefit of creditors, take advantage of the assignment as an act of bankruptcy?

Q. 3.—By whom, on whose application, and under what circumstances, may a special manager of a debtor's estate be appointed? What provisions are made by the Bankruptcy Act, 1883, as to the period for which he is to act, the powers he is to exercise, and the remuneration he is to receive?

Q. 4.—To whom and for what purposes may a creditor in a bankruptcy give a general and a special proxy respectively?

Q. 5.—What powers can the Court exercise with respect to :—

- (a) The discovery of a debtor's property.
- (b) The seizure of his property?

Q. 6.—Successive transfers of the same shares in a Company have all been made within one year before the date of the winding-up of the Company. State concisely what are the liabilities for call (if any) of the different persons who have held the shares within that period—

- (a) As between themselves.
- (b) As regards the Company.

Q. 7.—“A Company cannot contract itself out of its power to alter its Articles of Association by special resolution.” Do you consider this an accurate statement of law? If not, to what extent and in what manner do you suggest that it should be qualified?

Q. 8.—Under what circumstances and to what rate can a creditor prove for interest on debts overdue at the date of a winding-up order, and for what period will it be calculated?

Q. 9.—A Company carries on business for a year with five members only, of whom one is not cognisant of the fact that the number of members has been reduced below seven. What is the extent and nature of the liability incurred, and by whom and to whom will it have been incurred?

Q. 10.—What are the rights of an applicant to whom a Company makes an allotment of shares in contravention of the provisions of the Companies Act, 1900?

MERCANTILE LAW AND THE LAW OF ARBITRATIONS AND AWARDS.

Q. 1.—Distinguish between an executory and an executed contract, and give an example of each.

Q. 2.—Is there any legal limit to the rate at which interest may be charged in a contract? How has the law on the subject of usurious contracts been altered by the Moneylenders' Act, 1900?

Q. 3.—A. gives B. an option to purchase a property within fourteen days—

- (a) Can A. revoke his proposal before the expiration of the time specified?
- (b) B. posts a letter accepting A.'s offer, and later on the same day received a letter from A. revoking his proposal altogether. Is A. bound to complete the contract

Q. 4.—If a Bill of Exchange be taken in payment for the price of goods sold, does the original liability revive in the event of the bill being dishonoured?

Q. 5.—Define stoppage *in transitu*. A. purchased goods of B., and sent him a consignment note as follows:—"Please consign 'goods to s.s. 'Orient' now loading for Melbourne in London and 'India Docks.'" A. became insolvent, and B. gave notice stopping the goods, but not until they had been put on board the 'Orient.' Was the transit at an end, and is B. entitled to a return of the goods?

Q. 6.—If an infant be a partner in a firm, what are his rights and liabilities?

Q. 7.—Distinguish between partnership and co-ownership, and illustrate your answer by examples.

Q. 8.—The Arbitration Act, 1889, Section 1, provides that a submission "shall have the same effect in all respects as if it had been made an Order of the Court."

(a) What is the meaning of this provision?

(b) Will the Court grant an attachment if one of the parties to the submission refuses to nominate an arbitrator?

Q. 9.—In what cases has the Court jurisdiction to order a compulsory reference of all or any of the matters in dispute in an action?

Q. 10.—An instrument which creates a contract between two parties contains a reference to arbitration of "all differences or disputes which may arise between the parties." Is the arbitration limited to matters contained in the instrument?

It has already been stated that, in order to ensure success at the Intermediate Examination, the candidate should be a skilled book-keeper, having a thorough knowledge of the general principles of doubly entry, and some (but not an exhaustive) acquaintance with

straightforward propositions of law relating to bankruptcy and the liquidation of companies, together with a slight knowledge of the law relating to receivership. For the Final Examination it may be stated in general terms that the candidate is required to possess a thorough knowledge of all points in connection with accounts, such, for instance, as those arising in connection with the formation of joint stock companies, Cost Accounts for manufacturing concerns, income tax returns, the adjustment of Partnership and Executorship Accounts, &c.; indeed, there is practically *no* limit to what may be asked for by the examiners in this connection. With regard to auditing also, a very wide range of knowledge will be expected; but the probability is that the student will experience less difficulty in this connection, inasmuch as the text-book recommended will enable him to supply any deficiency that there may have been in his practical experience, whereas the questions which may arise in connection with bookkeeping are practically endless, and in its more advanced phases bookkeeping is a science which can really only be learnt by actual experience. For the legal papers a more intimate acquaintance with the law is naturally required than that which sufficed for Intermediate candidates. The field, moreover, is enlarged by the paper on Bankruptcy and Company Law, so that not merely insolvencies are dealt with, but also all questions of law relating to the formation and carrying on of joint stock companies. It is not anticipated, however, that these papers will offer any serious difficulty to the student who has had a reasonable experience, and has carefully studied the text-books recommended; the real difficulty in connection with the legal portion of the examination lies with the paper on Mercantile Law. This is so large a subject that in a paper of ten questions, which has also to deal with the Law of Arbitrations and Awards, it is practically impossible for even one question to be asked upon each of the main subjects. For example, mercantile law includes the law relating to the following matters:—Bills of exchange, sale of goods, agency, insurance, shipping, guarantees, carriers, con-

tracts, goodwill, together with questions on partnership law and other matters, which are already covered in the five previous papers. The probability is that not more than one-half of these subjects will really be dealt with in any one examination paper; nevertheless, the student is required to have, at all events, a rudimentary knowledge of the whole mercantile law, and this involves upon him a considerable amount of labour. He should, however, guard against looking upon it in the light of an infliction; for the probability is that in years to come he will find a thorough knowledge of the mercantile law even more valuable to him than any of the other subjects prescribed for the examination of the Institute.

It has been stated in a previous chapter that the student who is articled to an office where he has reasonable opportunities of acquiring experience ought to be able to pass his Intermediate Examination without any further preparation than a careful study of the text-books recommended. The same can, however, hardly be said of the Final Examination, for the questions are naturally more searching, and it thus becomes increasingly difficult for mere reading to take the place of practical experience, while in the nature of things it is impossible to expect that, in any one office, opportunities will be afforded of absolutely exhausting every possible phase of Accountancy. It is, therefore, strongly recommended that the candidate for the Final Examination should obtain the assistance of a coach, and this not merely in order that he may make more certain of his ultimate success, but also that he may derive a greater and more permanent benefit from the time and energy which it is necessary for him to expend in preparing for the examination.

A good coach can, to a very great extent, assist the student by so directing his studies as to save him from wasting time upon unprofitable matters; and also, by a few judicious explanations, can clear up points of difficulty from time to time as they arise, which would otherwise have the effect of not only wasting the student's time in endeavouring to himself arrive at a solution, but would

also, perhaps, prevent him from actually appreciating the importance of subsequent points, merely because (in the absence of a proper explanation) he is unable to appreciate the precise bearing of other matters upon which the question at issue directly hinges.

The results of the Final Examination are published at the same time as those of the Intermediate and Preliminary; those candidates who obtain more than a certain number of marks are awarded certificates, and placed on the pass list in order of merit, and prizes are awarded to the first few candidates if their papers are of sufficient merit to justify the examiners in recommending the Council so to do.

As a conclusion to the present chapter, it will doubtless be of interest if we append a table showing the number of candidates who have attended each examination since 1883, together with the number of passes and failures, and the percentage of the latter on the total:—

DATE OF EXAMINATION			NUMBER OF CANDIDATES.			Percentage of Failures.
			Total.	Passed.	Failed.	
1882	June	}	42	29	13	30·9
	December					
1883	June	..	29	23	6	20·7
	December	..	34	18	16	47·1
1884	June	..	55	40	15	27·3
	December	..	64	34	30	46·9
1885	June	..	70	43	27	38·6
	December	..	75	50	25	33·3
1886	June	..	82	47	35	42·7
	December	..	168	112	56	33·3
1887	March	..	105	77	28	26·6
	June	..	18	10	8	44·4
	December	..	20	14	6	30·0
1888	June	..	30	22	8	26·6
	December	..	29	20	9	31·0
1889	June	..	28	23	5	17·9
	December	..	36	24	12	33·3
1890	June	..	41	31	10	24·4
	December	..	44	34	10	22·8

DATE OF EXAMINATION.			NUMBER OF CANDIDATES.			Percentage of Failures.
			Total.	Passed.	Failed.	
1891	June	..	51	22	29	56·8
	December	..	55	44	11	20·0
1892	June	..	56	28	28	50·0
	December	..	79	59	20	25·3
1893	June	..	52	38	14	26·4
	December	..	88	69	19	21·5
1894	June	..	68	55	13	19·1
	December	..	63	38	25	39·6
1895	June	..	80	58	22	27·5
	December	..	70	55	15	21·4
1896	June	..	72	54	18	25·0
	December	..	79	63	16	20·2
1897	June	..	79	53	26	32·9
	December	..	113	69	44	38·9
1898	June	..	107	56	51	47·6
	December	..	118	63	55	44·3
1899	June	..	131	95	36	27·4
	December	..	119	71	48	40·3
1900	June	..	95	54	41	43·0
	December	..	141	95	46	33·5
1901	June	..	141	78	63	44·6
	December	..	123	71	52	42·2
1902	June	..	146	99	47	32·2
	December	..	163	101	62	38·0
1903	June	..	176	98	78	44·3
	December	..	195	133	62	31·8
1904	June	..	168	114	54	32·1
	December	..	178	115	63	31·5
1905	May	..	173	100	73	42·2
	November	..	174	105	62	35·6
1906	May	..	198	125	73	36·9
	November	..	190	108	82	43·2
1907	May	..	163	97	66	40·4

From these figures it will be seen that there is a considerable variation from time to time ; but that, in general, there is a higher percentage of failures at this examination than at the Intermediate.

CHAPTER VIII.

AFTERWARDS.

HAVING passed his Final Examination, it still remains for the student to apply to the Council of the Institute for admission as an Associate of that body. This application may be made at any time subsequent to the passing of the examination and must be upon the prescribed form, which sets out that the examination has been passed by the student, and is accompanied by a certificate from his principal, to the effect that the latter considers the applicant a fit and proper person to be admitted as a member of the Institute. These applications are considered by a Committee of the Council, which meets quarterly, early in the months of February, May, August and November, in each year; if, therefore, the student wishes to at once avail himself of the privileges of membership, it is desirable that his application should be made as soon as possible after he has been notified that he has passed the Final Examination. The Applications Committee has the right to exercise its discretion in the admission of applicants; but, for all practical purposes, it may be taken that admission follows almost as a matter of course, in the absence of any grave reason to the contrary. The applicant will be notified in due course that he has been elected, and that his certificate will be issued upon payment by him of an entrance fee of ten guineas, and his subscription for the current year, which is two guineas per annum, if he intends to practise in the metropolis, or one guinea per annum if he practises outside the metropolis, or is not in practice. If these fees are not paid within three months from

the date of the passing of his application by the Committee, his election becomes void ; but it is still open to him to again apply for admission.

The question which now arises is as to the opening which lies before the student, when he has passed through the course prescribed by the Institute and been admitted as a Chartered Accountant. This is, of course, a question which is of very serious importance to all who propose embarking upon the profession ; but, on the other hand, it is one which can only be answered even partially with the very greatest diffidence. There are no exclusive privileges attached to membership of the Institute, and thus the position of each individual member is very much that of all other persons who seek to obtain a livelihood by the exercise of their brains ; that is to say, the income which they are able to earn will depend almost entirely upon the amount of intelligence and experience that they are able to bring to bear upon their work. It is especially because the amount of their experience is such an essential feature in their prospects in the early future that particular importance has been attached, in the earlier portion of this work, to the desirability of being articled in an office where there are favourable opportunities of acquiring a general, as well as a valuable, experience in the different branches of Accountancy ; but it by no means follows that, when these chances have been afforded the student, everything has been gained. On the contrary, it may safely be stated that very much more depends upon the manner in which the student has used his opportunities than upon the precise nature of those which have been afforded to him. It is true that the most attentive student cannot become an expert all-round Accountant in an office which does not afford him a reasonable scope ; but it is even more true that many pass through offices which do afford them these opportunities without ever really acquiring a proper knowledge of the duties appertaining to their profession ; and this, notwithstanding the fact that they are able—although,

perhaps, only after one or two failures—to cram up a sufficient amount of knowledge to enable them to pass the Examinations of the Institute.

It is a common error among those who have just been admitted as Chartered Accountants to suppose that they have learned all that is to be learned in connection with their profession; but, with the exception of a few of the most obtuse, it may safely be stated that this idea is soon outlived, and that the longer an Accountant is in practice the more he realises the fundamental truth that the student who has just passed his Final Examination has really only begun his education as an Accountant. That is to say, the position at which he has arrived is not that he has learnt all that is to be learned, but rather that his mind has been so trained that—if he possesses the necessary ability—he is now in a position to pick up and utilise such experience as he may afterwards gain in the course of his career, and so eventually become—what at the moment he emphatically is not—a competent Accountant.

Still, in spite of these limitations, which it has been thought right to impress upon the reader at this point, it is incontestable that the student who has recently passed his Final Examination, after serving his articles, is in a position to command a salary as clerk to a practitioner, which, although necessarily varying with his ability, is not likely, under ordinary circumstances, to be less than £120 per annum. In a very short time it is not unlikely that this figure may be doubled, and, of course, in all cases special ability will command an exceptional remuneration. As a clerk to a Chartered Accountant it may safely be stated, however, that there are not many positions in the whole of the profession which command a salary exceeding, say, £300 per annum. This to a man possessed of any real ability is not a large sum, although, of course, it compares very favourably with what might be earned by a man of from twenty-one to twenty-five years of age in many other walks of life; indeed, the probability is that it would not satisfy the ambition of any Accountant possessed of anything more than

mediocre abilities. It is well, however, to warn the youthful practitioner against the mistake, which is very commonly made, of at once setting up in practice on the strength of the promises of friends, even on the rare occasions when those promises take the more tangible form of offers of actual work. The kindest of friends naturally experience a difficulty in placing such important work as that which usually devolves upon an Accountant in the hands of one who obviously has had no considerable experience of his profession, and in whom, personally, they are transparently interested. It, therefore, generally happens that the goodwill of friends, however numerous, is but a poor nucleus for a professional connection in the near future. But, however this may be, the fact remains that even if the young Accountant is able, in the earlier years of his practice, to get enough work to keep him occupied, the class of work which will be entrusted to him is, in all probability, not of such a description as will enable him either to enlarge his experience or to increase his ability as an Accountant. On the other hand, it is more than likely that much of his time will remain unoccupied, so that even if he does not become actually rusty there is a serious danger of his getting into a groove, and, at the best, hindering the completion of his education as an Accountant, which, as has already been mentioned, is now really only about to commence. Under ordinary circumstances it may safely be stated that he will be doing by far the wisest thing if he remains in the office of his principals, for a time at least. He will find that the years which he has spent in their office under articles have given him a certain sort of standing, both in the office and with the firm's clients, which he could not readily attain elsewhere at the outset; and thus his opportunities of being placed upon important work—which is precisely the class of work which he most stands in need of at this period—are far greater than if he were to go into practice on his own account, or even in the majority of cases, than if he were to obtain a position as clerk in another office. It may, of course, happen that the circumstances of his principals are such that, after his term has expired, they are

unable to give him that position in their own office which would enable him to continue his education as an Accountant ; and in that case, it is, no doubt, best to take the bull by the horns at once, and to seek a situation elsewhere. But here, again, we repeat that, until the young Accountant has attained a far greater experience than that which he possessed at the close of his articles, it is very inexpedient for him to look solely, or even mainly, to the remuneration which is offered to him for his services. It is far more important he should seek a situation where increased responsibilities and further opportunities of enlarging his experience will be afforded him. It will be quite time enough for him to think about actually making money when he has really acquired the necessary skill in this direction.

How long after the passing of the Final Examination it is likely to take the ex-articled clerk to become a really qualified Accountant is a matter which is even more uncertain than the extent of his qualifications at the conclusion of his articles. It may, however, be stated in general terms that, if he has any real ability and has had good opportunities, at the end of another two or three years he ought to be in a position to inspire sufficient confidence as a principal, and then it will be time enough for him to consider the best means of starting in practice.

For the reasons which have already been mentioned, we think that the balance of argument is usually against him starting in practice for himself, no matter what connection he may expect to derive from the influence of his friends ; but this, of course, is only a general suggestion, and does not by any means apply under all circumstances. Leaving this case upon one side, however, the alternative lies between purchasing a practice from a retiring or deceased Accountant, purchasing a share in an existing firm, and being presented with a share in a firm. At first sight it might appear that the latter was the object to be aimed at in all cases where possible ; but, in point of fact, the advantages are by no means all upon one side. It is not often that business men give anything

away, and Accountants are no exception to the rule ; if, therefore, they do actually give a share of their profits to a new partner without receiving any direct consideration for the same, the probability is that they impose such conditions that, in the long run, the advantage lies with them rather than with the new partner. Here, again the proposition is put in general terms ; and, no doubt, there are individual cases where very advantageous offers are made to clerks who have proved themselves to be really desirable acquisitions to the firm.

The remaining alternatives are the purchase of a share or of the whole of a practice, and in this connection it need hardly be said that the balance of advantage clearly lies in favour of purchasing a share, as in this case the former proprietors still remain to give the firm the weight of their influence and connection ; while the case of a young Accountant purchasing the whole of a business is not altogether unlike that of one who attempts to set up in practice for himself unaided.

With regard to the question of the income which an Accountant in practice may expect to earn from the exercise of his profession, it is impossible to give even the most elastic estimate of what may reasonably be expected. There are, probably, few professions in which the incomes of practitioners vary more greatly. There are certainly none in which larger incomes can be made by competent practitioners ; but, on the other hand, Accountancy is not like many other professions, in that under all ordinary circumstances the practitioner of any real ability whatever is generally reasonably sure of a livelihood—if not as a principal at least as a clerk.

This, perhaps, is one of the great advantages which Accountancy offers as a profession, although it must be admitted that it is not one which is likely to attract entrants at the start ; but the fact remains that while many qualified barristers, solicitors, architects, engineers, etc., find it impossible even to obtain a situation which will afford them a reasonable livelihood it is rare in the extreme to

find a qualified accountant with even a moderate amount of ability who cannot command a "living wage." So far as it is a factor which is likely to be taken into account by those who decide on Accountancy as a profession, it is no doubt satisfactory to know that the profession is not so overcrowded as to afford no shelter whatever for its comparative failures ; but we take it that it is rather the enormous prospects which it offers to the successful that afford the most powerful inducement to new entrants. As we pointed out in the earlier pages of this volume, Accountancy as a profession is certainly not more than 150 years old, and even now it is still in its infancy. During the last 25 years or so, numerous attempts have been made to filch some of the profits which have formerly been earned by Accountants for the benefit of the Government ; but experience has shown that these attempts at Officialism, as a competitor of professional Accountancy, are failures, simply for the reason that the State has been unable to secure the services of persons sufficiently capable to compete successfully with Accountants. It is, therefore, doubtful whether the principle of Officialism will be further developed, at all events in the near future. But whether this be so or not, the enormous growth of commerce is in itself sufficient to provide Accountants with employment at remunerative scales for many years to come, and this at a time when most other professions appear to be at a standstill or to be going back. In the long run the effect of this will, no doubt, be that the profession of Accountancy will attract to itself no inconsiderable proportion of the intellect of coming generations, and then in due course (like other professions) it will be over-stocked, not only with mediocrities and failures, but also with capable practitioners ; but at the present time this is far from being the case, and it may in general terms be stated that it is only to idlers and triflers that Accountancy, as it at present stands, is unable to afford a reasonable future.

or
not

APPENDIX A.

FORM OF ARTICLES OF CLERKSHIP (AS SETTLED BY THE INSTITUTE).

ARTICLES OF AGREEMENT made the
day of _____ in the year of our Lord One thousand nine
hundred and _____ BETWEEN
of _____
in the _____ of _____ Gentleman Chartered Accountant
(hereinafter called the said Accountant) of the first part
of _____
in the _____ of _____ (hereinafter called the said
* _____) of the second part and
of _____ in the _____ of _____
(hereinafter called the said Clerk) of the third part WITNESSETH
that the said Clerk of his own free will and with the consent of the
said* _____ Doth place and bind himself Clerk to the said
Accountant to serve him from the day of the date hereof for and
during and unto the full end and term of _____ years from thence
next ensuing and fully to be complete and ended AND the said
* _____ doth hereby for himself his heirs executors and
administrators covenant and promise and agree to and with the
said Accountant his executors administrators and assigns that the
said Clerk will faithfully and diligently serve the said Accountant
as his Clerk in the Profession of a Chartered Accountant from the
day of the date hereof for and during and unto the full end of the
said term of _____ years And that the said Clerk shall
not at any time during such term cancel obliterate spoil destroy
waste embezzle spend or make away with any of the Books papers
moneys or other property of the said Accountant his executors
administrators or assigns or of his partner or partners or of any of
his Clients or Employers which shall be deposited in his hands or

* Insert the word "Parent" or "Guardian."

which shall come or be entrusted to his care custody or possession and shall not make copies of any books or papers belonging to or in the custody of the said Accountant or of his Partner or Partners and that in case the said Clerk shall act contrary to the last mentioned Covenant or if he the said Accountant his executors administrators or assigns or his Partner or Partners or all or any of them shall suffer any loss damage or prejudice by the misbehaviour neglect or improper conduct of the said Clerk the said*

his executors or administrators shall indemnify the said Accountant and his Partner or Partners and all or any of them therefrom and make good and reimburse to the said Accountant and his Partner or Partners and all or any of them the amount or value thereof AND FURTHER that the said Clerk shall and will at all times keep the secrets of the said Accountant and his Partner or Partners and all and every of them and of his and their Clients and Employers and shall not divulge the names or affairs of such Clients and Employers and shall readily and cheerfully obey and execute his and their lawful and reasonable commands and shall not depart or absent himself from the service or employ of the said Accountant at any time during the said term without his consent first obtained but shall at all times during the said term conduct himself with all due diligence honesty and propriety AND the said Clerk doth hereby for himself covenant promise and agree to and with the said Accountant his executors administrators and assigns that he the Clerk shall and will faithfully serve the said Accountant at all times during the said term as a Clerk ought to do in all things whatsoever In consideration whereof and of the sum of

by the said
to the said Accountant paid at or before
the sealing and delivery of these presents (the receipt whereof the said Accountant doth hereby acknowledge) the said Accountant for himself his heirs executors and administrators doth covenant promise and agree to and with the said*

* Insert the word "Parent" or Guardian.

his executors and administrators by these presents that he the said Accountant shall and will accept and take the said Clerk as his Clerk during the said term and shall and will throughout the said term to the best of his ability and power afford him the said Clerk such reasonable opportunities and work as may be required to enable him to acquire the art science and knowledge of a Professional Accountant AND if the said Clerk shall have well and faithfully served his said intended Clerkship shall and will at the expiration of the said term give to him the Certificate required by Bye-Law 87 of the Institute of Chartered Accountants in England and Wales for the purpose of his being admitted as a Chartered Accountant PROVIDED ALWAYS And it is hereby expressly agreed and declared between and by the said Accountant and the said

* that if the said Accountant shall die during the said term his executors or administrators shall within one Calendar month after his death at the option of the said* return a proportionate part of the premium or make due provision for the completion by the said Clerk of the residue of the said term as Articled Clerk to some other Chartered Accountant without any further expense to the said*

IN WITNESS whereof the said parties to these presents have hereunto set their hands and seals the day and year first above written

Signed Sealed and Delivered by
the said Accountant in the
presence of



Signed Sealed and Delivered by
the said*
in the presence of



Signed Sealed and Delivered by
the said Clerk in the presence
of



* Insert the word "Parent" or "Guardian."

APPENDIX B.

INSTRUCTIONS ISSUED TO CANDIDATES AT THE EXAMINATIONS OF THE INSTITUTE.

PRELIMINARY EXAMINATION.

The Examination will commence on each day at the hours named in the time table.

Each candidate will have a number assigned to him, and will take his seat at the place at the table indicated by such number.

The answers are to be written on the paper supplied to the candidates, and such answers should be written concisely, and in a plain and legible manner, on one side of the paper only; each answer to be commenced on a separate sheet. Each sheet must bear the number of the candidate and the name of the subject, but the name of the candidate must not appear. Each Sheet, when finished, should be turned over, with the writing underneath.

When the candidate has finished his answers, he must fasten the sheets together in numerical order, placing the coloured sheet provided in front, and must deliver them to the Fellow of the Institute presiding at the Examination.

After the Examination has commenced, no candidate may leave the room (without permission) until he shall have delivered in his answers, and any candidate who thus leaves the room will not be allowed to return. Should a candidate deliver in his answers before the end of the Examination, he is requested to retire as quietly as possible, so as not to disturb those remaining.

No candidate will be allowed to communicate with, receive assistance from, or copy from the paper of another; and in case this rule is infringed, the names of both such persons will be liable to be struck out of the list of candidates.

Candidates must not retain any book, paper, or manuscript during the Examination, but must leave the same with the presiding Fellow, before the hour for the commencement of the Examination. Any candidate infringing this rule will be liable to be disqualified.

Candidates may retain the questions, except when requested to return them by the presiding Fellow of the Institute presiding at the Examination.

The presiding Fellow having declared the Examination over, candidates must immediately cease writing.

The results of the Examination are communicated by post on the evening of the second Wednesday in January or July. No information can be afforded earlier.

INTERMEDIATE AND FINAL.

The Examination will commence on each day at the hours named in the table.

Each candidate will have a number assigned to him, and will take his seat at the desk indicated by such number.

The answers are to be written on the paper supplied to the candidates, and such answers should be written concisely, and on one side of the paper only; each answer to be commenced on a separate sheet. Each sheet must bear the number of the candidate and the name of the subject, but the name of the candidate must not appear. Each sheet, when finished, should be turned over, with the writing underneath.

In marking the papers the Examiner will take into consideration style and neatness.

When the candidate has finished his answers, he must fasten the sheets together in numerical order, placing the coloured sheet provided in front, and must deliver them to the Fellow of the Institute presiding at the Examination.

After the Examination has commenced, no candidate may leave the room (without permission) until he shall have delivered in his answers, and any candidate who thus leaves the room will not be allowed to return. Should a candidate deliver in his answers before the end of the Examination, he is requested to retire as quietly as possible, so as not to disturb those remaining.

No candidate will be allowed to communicate with, receive assistance from, or copy from the paper of another; and in case this rule is infringed the names of both such persons will be liable to be struck out of the list of candidates.

Candidates must not retain any book, paper, or manuscript during the Examination, but must leave the same with the presiding Fellow, before the hour for the commencement of the Examination. Any candidate infringing this rule will be liable to be disqualified.

The presiding Fellow having declared the Examination over, candidates must immediately cease writing.

The results of the Examination are communicated by post shortly after the second Wednesday in January or July. No information can be afforded earlier.

APPENDIX C.

HINTS ON PREPARATION FOR THE EXAMINATIONS OF THE INSTITUTE.

THE following hints to candidates are printed (by permission) from *The Accountants' Journal*:—

THE vacation being now over—except so far as those exceptionally favoured individuals, the lawyers, are concerned—it behoves us all to steadily settle down to work again, and this remark applies with peculiar emphasis to those who propose presenting themselves as candidates for one of the Examinations of the Institute in December next. We intend, during the intervening period, to give our readers the benefit of a few hints as to the most effective means of preparation to be adopted, but we should like it to be very clearly understood that we do not propose to unfold any scheme that will obviate the necessity for engaging the services of a coach, still less do we pretend to be able to disclose any royal road to ultimate success.

Nevertheless, it is, we believe, in our power to prove of some little use to the attentive student by suggesting the best mode of applying the time at his disposal for preparation, and, at a later stage, by giving him a few hints as to the best method of utilising the time available at the Examinations themselves.

In the first place, we should like to point out that there is now, in addition to the authorised list of books “recommended” by the Council of the Institute, no scarcity of really useful works upon the various subjects covered by the Examinations, and the candidate who wishes to be up to date must not be slow to avail himself of the increased facilities afforded thereby. The following list will, we

venture to think, be a valuable supplement to that issued by the Institute of Chartered Accountants.*

With regard to the amount of time to be devoted to each subject, this will, of course, be a matter primarily in the discretion of the coach, and, apart from this, it is difficult for us to lay down any definite lines in these columns, as so much naturally depends upon the aptitude and experience of each individual student. Still, as a general basis, the following time-table may be suggested for the ensuing month :—

<i>Day.</i>		<i>Intermediate.</i>	<i>Final.</i>
Monday	.. ..	Bookkeeping	Bookkeeping
Tuesday	.. ..	Partnership Law	Bankruptcy Law
Wednesday	.. ..	Auditing	Company Law
Thursday	.. ..	Company Law	Auditing
Friday	.. ..	Executorship Law and Accounts	Partnership Law and Accounts
Saturday	.. ..	Bankruptcy Law	Mercantile Law

The first month may be advantageously disposed of in this manner, carefully reading the various text-books and making copious notes in separate note-books devoted to the various subjects; a portion of the time will also be set apart to answering papers set by the coach, and in carefully digesting his corrections thereof.

By the time that our present issue is in the hands of our readers, there will be something less than two months available to candidates in which to complete their preparation for the forthcoming Examinations of the Institute in December, and those who wish to make sure of a pass will do well to make the best of the time that still intervenes. In our last issue we give a list of those works which, in our judgment, would be found most suitable for the purpose; and we also give a time-table, showing how we thought the time at their disposal might be best employed. For the ensuing month we

* This list is omitted, being now out of date. The lists appearing on pp. 42 and 69-70 may be substituted with advantage.

suggest the following time-table, which will be found to vary somewhat from the arrangement which we suggested before, giving increased attention to those matters which appear to claim more of the student's time, while slightly reducing that to be devoted to the less important subjects :—

<i>Day.</i>	<i>Intermediate.</i>	<i>Final.</i>
Monday ..	Bookkeeping	Executorship Law and Accounts
Tuesday ..	Partnership Accounts	Receivers and Arbitrations
Wednesday ..	Auditing	Company Law
Thursday ..	Bankruptcy Law	Auditing
Friday ..	Executorship Accounts	Partnership Law and Accounts
Saturday ..	Company Law	Mercantile Law

In general lines the mode of preparation which we recommended for the past month may be still pursued with advantage, for it will be quite time enough with our next issue to change the mode of reading, and acquiring fresh knowledge, for a process of revision—or the reviewing of knowledge which has already been acquired, and the focussing thereof in an easily available form. In the meantime, however, we may recommend those students who have sufficient time at their disposal to be able to go further afield, to make a careful study of the recent decisions relating to the liabilities of auditors ; while, with regard to all subjects except actual book-keeping it will be found very convenient to make a full epitome of the contents of each of the works which we have recommended. It is as well, however, to caution students against using these epitomes (when made) for purposes of revision rather than the original work ; their chief use is to impress the matter therein contained upon the memory, and for purposes of *final* revision, immediately before the Examination takes place. On no account should they, when once constructed, be looked upon as the text-books, which are to supersede those from which they have been compiled.

With these few notes we think that we may safely leave candidates for the forthcoming Examinations for another month, but with our next issue we shall have several further important hints to give them.

DURING the remaining weeks at the disposal of candidates for the examinations of the Institute next month, it is desirable that they should devote themselves carefully to filling up any gaps in their reading up of the various subjects prescribed, but in particular must they direct their attention to a general revision of their previous work, especial care being bestowed upon those subjects in which the candidate feels that he is weakest.

For practical purposes it may be taken that Intermediate candidates have still three weeks available. These may profitably be employed as follows:—

<i>Day</i>	<i>First Week</i>	<i>Second Week</i>	<i>Last Week</i>
Monday	.. Partnership Law (Revision)	Company Law (Revision)	Rights and Duties of Liquidators, &c. (Revision)
Tuesday	.. Rights and Duties of Liquidators Trustees, and Receivers	Rights and Duties of Liquidators, &c.	Weak subjects
Wednesday	.. Bookkeeping	Ditto	Bookkeeping (Revision)
Thursday	.. Bankruptcy Law	Weak subjects	Executors' Accounts (Revision)
Friday	.. Executors' Law (Revision)	Partnership Accounts (Revision)	Weak subjects
Saturday	.. Auditing (Revision)	Auditing (Revision)	Weak subjects

To candidates for the Final Examination it may be taken that there are still (roughly) four weeks available. These may profitably be employed as follows:—

<i>Day</i>	<i>First Week</i>	<i>Second Week</i>
Monday	.. Executors' Law (Revision)	Partnership Law (Revision)
Tuesday	.. Mercantile Law	Company Law
Wednesday	.. Receivers (Revision)	Mercantile Law (Revision)
Thursday	.. Bankruptcy Law	Bookkeeping
Friday	.. Arbitrations (Revision)	Bookkeeping
Saturday	.. Auditing	Auditing (Revision)

<i>Day</i>	<i>Third Week</i>	<i>Last Week</i>
Monday ..	Executorship Accounts (Revision)	Executorship Law and Accounts (Revision)
Tuesday ..	Weak subjects	Bankruptcy Law and Receivers (Revision)
Wednesday ..	Partnership Accounts (Revision)	Company Law (Revision)
Thursday ..	Weak subjects	Mercantile Law and Arbitrations (Revision)
Friday ..	Bookkeeping (Revision)	Partnership Law and Accounts (Revision)
Saturday ..	Weak subjects	Weak subjects

Among other matters candidates should commit the following to memory :—

Rates of Estate Duties

„ Bill Stamps

„ Legacy Duties

„ Succession Duties

Forms of Statement of Affairs (Bankruptcy)

„ „ (Company Liquidation)

„ Deficiency Account (Bankruptcy)

„ „ (Company Liquidation)

„ Account of Receiver in Chancery

List of deductions allowed from profits for income tax purposes

„ „ not allowed from profits for income tax purposes

„ powers of trustee with sanction of committee

„ „ without „

„ acts of bankruptcy

„ causes for which bankrupt's discharge may be suspended

„ authorised investments for trustees

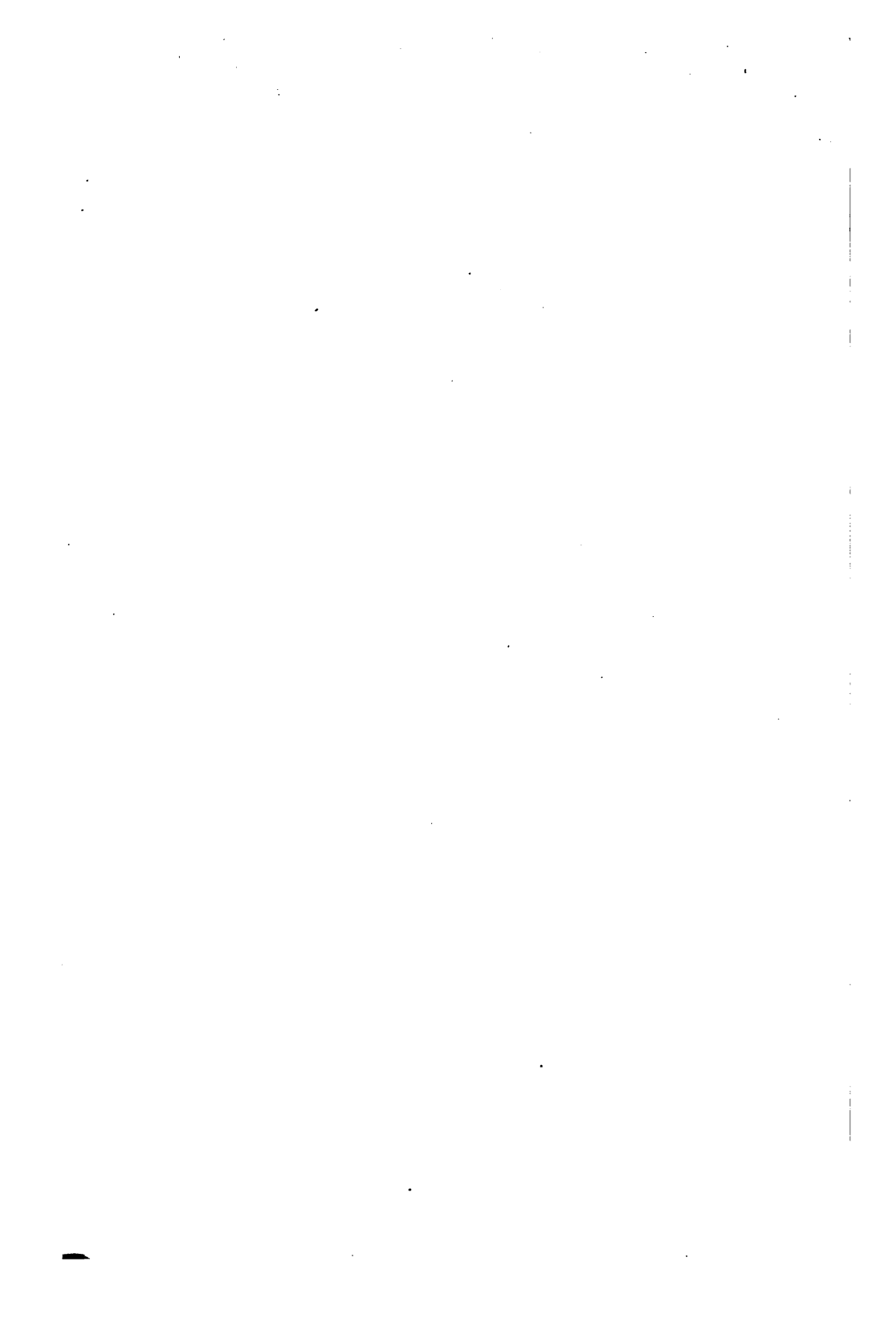
The back numbers of *The Accountant's Manual* may also be consulted with advantage.

We strongly recommend all candidates to limit their preparation *during* the time of the Examination to *one* hour an evening at the outside. A better plan still is to do *no* work in the evening, but half an-hour's final revision each morning before the Examination.

On no account should any work whatever be attempted during the luncheon intervals, and it may be profitably remembered that no advantage is gained by devoting what might be a valuable period of rest and recuperation to discussing the papers with other candidates.

One last word, and we have finished. Read the whole paper through first. Then start answering those questions which present the least difficulty first, commencing with those requiring the shortest answers and taking those involving more time afterwards. Be sure that you answer *all* questions you are certain of before attempting *any* you are doubtful about, and when you do come to deal with the latter take those involving the shortest answers first, leaving the long and doubtful ones until quite the last. On no account argue with the examiner, but if you are really in doubt whether to take a question one way or the other, assume that what you think is most probable is intended, and append to your answer a simple note to the effect that if so-and-so is intended its effect upon your answer will be so-and-so.

With these few hints we leave the December candidates to their fate, merely wishing them such success as their assiduity and merits entitle them to. We trust, however, that our remarks will have been found of value to those who have given them careful attention, and acted upon our suggestions.



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